

OVERSEAS NEWS

Kidnap policy in question after Basque's arrest

BY ROBERT GRAHAM IN MADRID

THE DETENTION under anti-terrorist laws of Sr. Ruiz Balerdi, a prominent left-wing Basque lawyer, has raised delicate questions about Spanish Government policy on the use of intermediaries in kidnap cases. It has also exposed an apparent lack of co-ordination between the various departments of the Government dealing with terrorism.

Police detained Sr. Balerdi at the frontier with France just north of San Sebastian late on Wednesday night. He was travelling alone and police were awaiting him on his return from an alleged visit to Switzerland. They say they found Belgian francs worth Pta 5m (€25,000) in a false bottom to his car. Since then, he has been transferred to Madrid and held under anti-terrorist laws that permit detention for up to 10 days without charge.

Sr. Balerdi is deputy mayor of San Sebastian and a member of Euzkadi Ekerra, the left-wing party which is widely believed to act as the political front for the less militant political-military wing of ETA.

the Basque separatist organisation. With Government knowledge, according to Sr. Juan Jose Roson, the Interior Minister, he had been acting as an intermediary to secure the release of Sr. Luis Suter the Valencian industrialist.

Sr. Suter was released 10 days ago after a lengthy kidnap, allegedly by the political-military wing of ETA. According to Sr. Roson, the Government was aware of the ransom demands and facilitated the payment of the funds. This was alleged to be Pta 325m (€1.7m) — the largest ever such payment in Spain. The funds were handed over in peseta notes inside Spain.

Thus, with the Ministry of the Interior knowing about Sr. Balerdi's mediation, his arrest has come as a surprise — the more so because he has acted as an intermediary in the past, for instance to secure the release of the leading politician Sr. Xavier Ruperes. His detention has been carried out by the newly formed anti-terrorist command that incorporates members of the armed forces.

Israeli general calls for clear-cut Lebanon policy

BY DAVID LENNON IN TEL AVIV

THE ISRAELI general responsible for the border with Lebanon has called for Israel to help the Christians take over all of that country, an dhas sharply criticised his own government for lacking a clear-cut policy towards Lebanon.

General Avigdor Ben-Gal, OC Northern Command, expressed these views in a weekend interview with an Israeli newspaper. This is the second time he has made controversial political declarations.

Long regarded as one of the architects of Israel's growing involvement in Lebanon, General Ben-Gal said Israel should adopt an activist policy of broad support for the Christians, "in the hope that they would take over the entire country."

Senior military officials in Tel Aviv confirmed last week that

Israel is supplying weapons to the Christians in northern Lebanon.

Hasan Hijazi adds from Beirut: Sixteen people killed on Sunday in the southern Lebanese port of Sidon were buried yesterday.

They lost their lives in an artillery bombardment by Israeli-backed Christian militias.

Maj. Saad Haddad, the southern militia commander, had a heart attack on Sunday, and was taken to a hospital in Haifa. The Israelis apparently gave him top medical attention.

A new leadership for the Palestine Liberation Organisation has been elected and it includes for the first time in seven years a representative from the hard-line Popular Front for the Liberation of Palestine (PFLP).

Thatcher discusses Arab-Israeli initiative

By Richard Evans in Riyadh

CAUTIOUS HOPES for a breakthrough in the Arab-Israeli conflict through Britain's presidency of the European Community in the second half of the year were discussed in detail here yesterday by Mrs. Thatcher and Mr. Douglas Hurd, Minister of State at the Foreign Office, during talks with Saudi leaders.

The Saudis' concern with the impasse in the Middle East, and the failure of the U.S. to launch an effective initiative featured prominently in talks that ranged over economic, foreign and defence affairs.

The Saudi Government confirmed that it fully accepts the British Government's attitude to the Rapid Deployment Force proposed by President Ronald Reagan and backed by Mrs. Thatcher during her visit to Washington in January.

Mrs. Thatcher said that no force would ever be stationed in the Gulf or elsewhere without prior agreement. This was intended to allay fears that the U.S. and UK were preparing to ride roughshod over the feelings of the governments in the Gulf.

These discussions appeared to have resolved anxieties that threatened to disrupt improving relations between Britain and the Saudis.

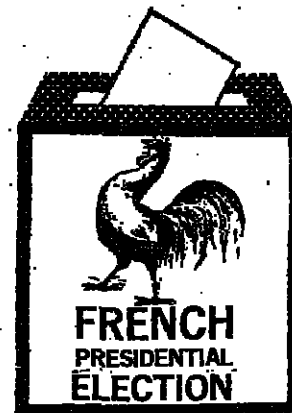
One of the problems Mrs. Thatcher and Mr. Hurd found in their three days of talks here is the ambivalent attitude towards the U.S. American defence aid and protection is accepted as essential, but the Saudi Government does not want to identify itself too closely with the Americans because of their unpopularity in the Arab world.

The Prime Minister and Mr. Hurd, the Foreign Office Minister responsible for the Middle East, were careful not to be too optimistic about chances of success in any Arab-Israeli negotiations later in the year.

LACK OF JOBS EMERGES AS A LEADING ISSUE IN THE CAMPAIGN

Economic policy proves costly for Giscard

The President made a bad mistake early in the campaign when he underestimated the adverse impact which unemployment would have on his prospects for re-election, writes Robert Mauthner in Paris.



WILL ECONOMIC policy, so long considered to be President Giscard d'Estaing's strong point, prove to be his Achilles heel in the French presidential election? That is the question which is on everyone's lips only five days before the first ballot of the two-round election.

No doubt, M. Giscard d'Estaing's relatively poor showing in the latest public opinion polls, which put him neck-and-neck with his main rival, M. Francois Mitterrand, the Socialist leader, cannot be ascribed simply to one factor. But there can be no doubt that the outgoing President's economic management and, in particular, the high level of unemployment which has been one of its more unfortunate consequences, has emerged as the prime issue in the election campaign in most people's minds.

The latest official statistics show that the number of job-seekers has risen by 17.5 per cent over the past 12 months to 1.66m, a level which would not be considered as particularly dramatic in some other Western European countries, such as Britain. But unemployment is as emotive an issue in France as inflation is in West Germany.

The French can live happily with an inflation rate of nearly 14 per cent, but were forecasting another revolution if unemployment ever passed the 1m mark. The fact that such an upheaval did not occur when the fateful ceiling was exceeded can be put down entirely to the

generosity of the over-burdened social security system. That has not, however, robbed the problem of its explosive potential.

President Giscard probably made one of the biggest mistakes of the election campaign in underestimating the adverse impact of unemployment on his re-election prospects. Possibly the long lead he had established over his main rivals, which only started to fall away at the very end of 1980, had made him over-confident.

M. Giscard d'Estaing genuinely believed that all intelligent and reasonable people — that is, the majority of the population — would accept his explanation that rising oil prices and the slack international economic climate were entirely responsible for France's economic troubles. But elections are rarely won by cold, rational arguments and

the other candidates stepped in quickly where M. Giscard feared to tread.

M. Jacques Chirac, the Gaullist candidate, M. Georges Marchais, the Communist leader and, not least, M. Mitterrand, all had their economic proposals on the table at a time when M. Giscard d'Estaing was still in the midst of the first phase of his campaign, that of defending his past record.

While the President was lecturing the country on the way that the demographic "bulge" which he had inherited had boosted the number of young people coming on to the labour market and was promising them that everything would be all right after 1985, when the bulge would have worked its way through, the other candidates had already announced detailed

measures to fight unemployment.

The main impetus to employment in M. Mitterrand's plan will come from the creation of 210,000 jobs in 1982 in the public sector, swollen by the nationalisation of 10 of the country's largest industrial groups, the stepping up of Government investments, mainly in the housing and public works sectors, and the stimulation of domestic demand by raising the wages of the lowest paid and social benefits.

In addition, the Socialist candidate is proposing a reduction of the working week from 40 to 35 hours and a lowering of the official retirement age. It is clear that such a programme will be not only difficult to finance, but risks being highly inflationary. While it is true that the Government's fiscal revenues will be increased once the economy expands, this will be partially offset by M. Mitterrand's plan to exonerate essential commodities from VAT and poor families from income tax.

Independent economists have estimated that the public borrowing requirement will more than double in 1982 to about FFfr 65bn (€5.9bn) if the Mitterrand economic programme is put into effect as planned. As for inflation, the Socialist candidate himself recognises that it will remain between 13 and 14 per cent, which shows how little he thinks that the public is concerned about this

problem.

M. Giscard d'Estaing, on the other hand, for a long time ruled out any substantial reduction of the economy for the very reason that it would be inflationary and exacerbate the already large balance of payments deficit. In the end, however, he has been forced to modify his position by the capital that his opponents were making out of the serious unemployment situation.

However elegantly it is packaged, no one can be in any doubt that the recently announced Franco-German international loan scheme, which was coupled with a promise to unblock FFfr 65bn (€600m) from a special economic action fund incorporated in the last budget, adds up to a quite hefty stimulus of the economy.

The trouble with President Giscard's scheme was that it looked as if it was specially devised as a last-minute electioneering gimmick. Even worse for the "citizen-candidate's" credibility, he was accused of putting an international wrapper round his proposals merely to make it less obvious that he had gone back on his promise not to undertake a vote-catching refutation of the economy.

True or not, it is appearances that count in an election and it is clear that M. Giscard d'Estaing has been obliged to rush out proposals which should have been announced much earlier in the campaign.

U.S. tries to strengthen Pakistan

BY DAVID BUCHAN IN WASHINGTON

THE REAGAN Administration is seeking to bolster Pakistan against the Soviet military presence near its borders, in a way that will placate the U.S. Congress and not alienate India totally.

Top of the agenda at yesterday's meeting here between Mr. Alexander Haig, the Secretary of State, and Mr. Agha Shahi, the Pakistani Foreign Minister, was the Administration's so far informal offer of \$400m in military sales credits and \$100m in economic aid in each of the next two years.

In talks here at the end of last week, Mr. Haig tried to convince senior Indian Foreign Ministry officials that "a

stronger, more self-confident Pakistan would make for a stronger subcontinent." His efforts failed against a background of reports from New Delhi that India effectively had ripped up its nuclear supply treaty with the U.S.

State Department officials said yesterday they had no confirmation that India had started reprocessing spent fuel of U.S. origin supplied to the Tarapur reactor outside Bombay. If this were true, they said, it would breach the 1963 treaty which requires U.S. permission for any such recycling of fuel (producing weapons-grade plutonium as a by-product).

One effect of a hard-Indian line on nuclear matters might be to make the U.S. Congress less inclined to hold up aid to Pakistan. At present, Congress, by various amendments, has cut off all aid to Pakistan because of the suspicion that its nuclear power programme is secretly aimed at building a nuclear weapons capability, to match that shown by India in 1974 when it exploded a nuclear device.

The Reagan Administration wants to whittle down such Congressional restrictions on aid to Pakistan and other possible "bomb-states," claiming that this curbs necessary executive freedom of action.

Iran bid to recover £26m paid for undelivered arms

BY TERRY POVEY IN TEHRAN

IRAN IS to take legal action in the French courts in a bid to recover some \$56m (£26m) paid for arms and ammunition which were not delivered, according to Mr. Behzad Nabavi, the Government's official spokesman.

A letter of credit to cover the cost of the shipment appears to have been cashed before Iranian Government officials had seen shipping documents, or the arms.

There appear to have been several recent examples of Iranian purchasers having difficulties in their attempts to buy desperately needed arms.

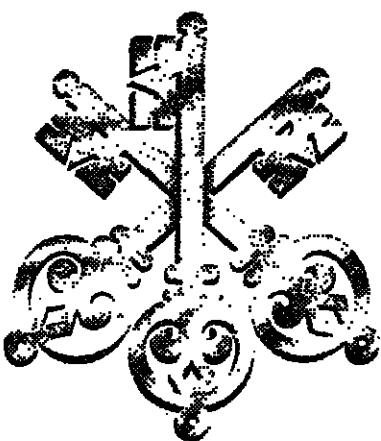
Several groups of private arms dealers entertained Iranian negotiators in London and Zurich at the end of last year. But arguments over prices and commissions led to most of these contacts falling through.

A letter of credit from Iran's Bank Mellat was opened in Tehran in mid-January. The arms were to have been inspected by Mr. Ali Behnam, Iran's charge d'affaires in Madrid before shipment to Iran.

Mr. Behnam was said to have been tricked into giving clearance to the Paris branch of the Bank Mellat to release the letter of credit.

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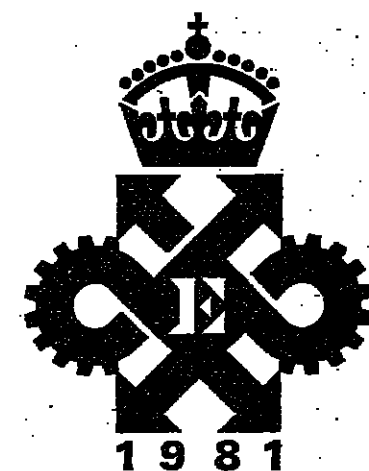
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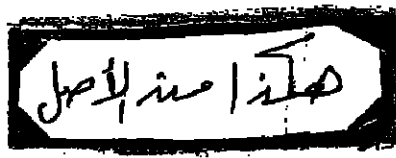
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Taiwan agrees to limit footwear sales to France

BY ROBERT KING IN TAIPEI

TAIWAN HAS agreed to limit exports of footwear to France to 11.8m pairs annually, beginning July 1. The Taiwan Footwear Manufacturers Association has signed a "gentlemen's agreement" with the French Federation Nationale des Fabricants de Chaussures.

Last year, Taiwan's direct exports of footwear to France jumped 26 per cent in quantity to 10.5m pairs. Indirect exports through other European countries added another 1.3m pairs, an official close to the negotiations.

The new accord, similar to the one Taiwan has with the British Footwear Manufacturers' Association limiting exports to the UK to 7.5m pairs annually, does not deal with indirect exports. It stipulates only that Taiwan must provide monthly statistics on shipments to the

French federation and that the two sides will meet again next April to discuss modification, continuance, or termination of the present accord.

This agreement as seen here as taken pressure off the European Confederation of the Footwear Industry, which earlier this year had warned the Taiwan association of severe restrictions against Taiwanese footwear because of a 37 per cent surge in exports to the EEC last year. France and Italy were among the first to voice complaints.

Should Taiwan's shoemakers attempt to circumvent the agreement by increasing their indirect exports through third countries, the pressure will again be on the European footwear confederation to impose unilateral, EEC-wide restrictions.

Taipei trade gap widens

TAIPEI—Taiwan is alarmed over its widening trade deficit with Japan and may be forced to place more restrictions on Japanese imports, officials say.

Mr. Shao Hsueh-Kun, director of Taiwan's Foreign Trade Board, said that the Government is trying to work out ways to increase exports to Japan.

Taiwan has set bans on some Japanese products, such as toys, but Japanese capital goods continue to flood the Taiwan market.

Mr. Shao said Taiwan's deficit with Japan during the first quarter of this year rose to \$922.3m from \$678.7m for the same period last year. AP-DJ

EEC draws up new shipping rules

By Giles Merritt in Brussels

THE EUROPEAN Commission is preparing new regulations aimed at subjecting shipping conferences to the EEC's competition laws.

The Brussels move to impose elements of the Rome Treaty's rules on shipping comes seven years after the European Court of Justice in Luxembourg ruled that maritime transport was not exempted from the Treaty.

It also follows an abortive attempt by the Commission a year ago, to draft a regulation that would tackle the issue of conferences that are in effect maritime cartels. But that was viewed as too repressive by EEC shipowners, whose fierce opposition forced the Brussels authorities to shelve the draft rules.

The amended regulation now being pushed by Mr. Frans Andriessen, Dutch EEC Commissioner responsible for EEC competition, is expected to be presented to the EEC Council of Ministers for approval by midsummer.

Negotiations between the Brussels Commission and EEC member governments on detailed aspects of the regulation are to begin shortly.

The complicated nature of the forthcoming regulation reflects the difficulty the EEC has had in reconciling its proposed new rules with existing U.S. anti-trust laws governing the North Atlantic liner conference.

As a result, the maritime competition laws concerning North Atlantic trade are due to become rather less restrictive than in the past, while on other routes EEC shipowners will be more tightly restricted.

Although European shipowners are understood to have reservations about new competition rules, EEC shippers are claimed to be giving widespread support to the move.

The Greek Government is also believed to be giving its full backing, because it hopes that the regulation would open up membership of closed conferences from which Greek shipowners have traditionally been excluded.

Pratt gains order for Airbus engines

By Michael Donne, Aerospace Correspondent

PRATT & WHITNEY, the U.S. engine manufacturer, has won a \$130m (\$60m) order to provide JT-9D engines for the fleet of 11 European A-310 Airbus ordered by Kuwait Airlines.

Deliveries of the aircraft start in September, 1983. The engines will be JT-9D-7R4s, each producing 50,000 lbs thrust. Each Airbus has two engines.

Kuwait is the fourth major airline to specify this type of engine for the A-310 Airbus, the others being Austrian Airlines, Sabena of Belgium and Swissair, for a total of 41 aircraft.

The engine is an advanced version of the JT-9D, and is expected to save the airlines many millions of dollars because of its improved fuel consumption.

Emery Air Freight, the U.S. cargo transporter, is to buy 12 Boeing 727 jets, and a fleet of smaller aircraft, worth over \$30m, to boost its rapid freight and parcels delivery services by air.

The company, which is the largest air freight forwarding group in the world, introduced its "Emery Air Force" five years ago to carry cargo on routes abandoned or not served by scheduled airlines.

SHIPPING REPORT

Tanker brokers foresee little rise in rates

By Lynton McLain

WORLD TRADE in crude oil remained sluggish in the week before Easter. Rates for tanker charters showed little change from the previous week and brokers before the holiday said they could foresee no dramatic improvement in rates in the near future. Galbraith Wrightson described the current market conditions for tanker owners as "disastrous." Oil contracts had been cancelled by buyers rather than oil suppliers and this led to further depression in the market.

Atlantic Richfield, the seventh largest U.S. oil group, planned to end early next month two supply contracts with Nigeria. These totalled 60,000 barrels per day.

Ashland was reported to be cutting back its supply of oil from Mexico by 90,000 barrels per day. Brokers emphasised that although these were not great volumes, the cuts did underline the glut of crude oil on world markets at present.

GERMANY'S MID-EAST SALES THRUST

Arabian El Dorado may be only a mirage

BY ROGER BOYES IN BONN

RAS WEST GERMAN industry discovered a new El Dorado in the export markets of the Middle East?

Starved of orders at home, German contractors have been snapping eagerly at lucrative contracts offered by Arab countries. Some DM 10bn (2.2bn) worth of orders have been clinched in the Middle East since the beginning of the year and many more are expected.

It has, of course, been forecast for some time that the Arab members of the Organisation of Petroleum Exporting Countries would start channeling their oil revenues into a new crop of medium-term and long-term infrastructural projects, much as they did after the first round of oil price rises in 1973-74.

An analysis by the Trinkaus and Burkhart Bank recently suggested that overall exports to oil exporting industries would rise by some 30-35 per cent this year.

Yet there may be some dark clouds on the horizon. Political uncertainty dogging German-Saudi relations could turn

parts of the Arab market into a commercial cul-de-sac for the Germans.

Even so, contracts have been coming thick and fast. Hochtief has won a DM 2bn order to build part of an Iraqi dam. Krupp and Korf have won two separate electro-steel works contracts in Libya totalling just under DM 3bn. Korf Engineering won another DM 700m order for an iron ore direct reduction plant in Libya and other companies have won some DM 2bn worth of contracts for the construction of highways near Basra and near the Iraq-Jordanian border.

Korf Engineering—5 per cent owned by Korf of Düsseldorf and 49 per cent by Voest Alpine of Austria—is an interesting case in point.

Its DM 700m iron ore order was won against stiff Japanese competition—a consortium including Marubeni and Kawasaki had already secured a letter of intent from the Libyans. A few years ago such a move would have been a distinct rarity. Japanese companies repeatedly

underbid German contractors in the Middle East and, skilled at deploying cheap labour, were particularly competent at turnkey projects.

Now, the mood has changed and German companies have been peaking their sales efforts to coincide with the early stages of many Arab countries' five-year plans. In an interview, Dr. Wilhelm Schneider, the Krupp chairman, recently outlined the group's Middle East strategy in the light of a number of successful bids, including one for a DM 5bn electro-steel works at Misurata in Libya.

Krupp, for example, had been successful in achieving an adjustment of Middle East goals with medium-term planning in the countries involved. Sometimes this involved actually helping guide the direction of the relevant economy.

In addition, Krupps also observes that it is clearly important to have a large network of overseas sales outlets and a discriminating approach to local agents and the use of

commissions. It is by no means clear that German concerns have fully mastered the use of local middle men in the Middle East, and it is significant that by far the bulk of the latest surge of Arab orders has come from Iraq where commissions are explicitly banned.

Some German businessmen have claimed their own Government does not give them the kind of political backing that often clinches deals. By contrast, the French are seen as giving effective political support—through prestige visits to the Gulf for example—and in favourable export credit guarantee terms.

These criticisms are not entirely fair. For export credit guarantees are not all that crucial in trading with Arab OPEC countries, many of whom pay in cash. But where they do count—near the Iran-Iraq war zone for example—Hermes, the German export insurance organisation, has shown itself responsive to the needs of businessmen.

Secondly, the German Govern-

ment is showing an increasing awareness that political instruments are crucial if German businessmen are going to land large contracts in Saudi Arabia, for example.

Thus, during the visit of King Khaled of Saudi Arabia to Bonn last year, Herr Hans Matthöfer, the German Finance Minister, was understood to have given a gentle push to a number of pending German projects. Within two weeks, a Mannesmann Anlagenbau-led consortium won a major \$91m contract to supply and install a water transmission pipeline from the Gulf coast to Riyadh.

But such moves are still the exception rather than the rule, and German exports to Saudi Arabia stagnated last year while the value of Saudi imports—overwhelmingly oil—increased radically.

Now, West German business representatives—the Federation of German Industry and other companies—are urging the Government to sell arms to Saudi Arabia and thus reassure Riyadh that Bonn is genuinely interested in guaranteeing the country's security. This would, they suggest, have an immense spin-off effect for German trade in Saudi Arabia and possibly other Arab countries such as the United Arab Emirates.

Chancellor Helmut Schmidt travels to Saudi Arabia on April 27, but it is by no means clear that he will have made a decision on arms sales by then.

The Saudis want some 300 Leopard-Two tanks and several hundred other armoured vehicles. A number of other political and legal factors are in the balance—including Germany's historically sensitive relationship with Israel—so Bonn may well have to water down the Saudi request or at least sell arms only in a broader European framework, perhaps with the French.

UK slow to grasp trade support programmes

BY DAVID HOUSEGO

BRITISH companies have increasingly begun to latch on to the export opportunities offered by the massive spending programmes of the international aid agencies. But they have been slower to exploit them than the French or Americans.

At a time when export prospects are in any case gloomier because of international recession and when Britain's shrinking bilateral aid programme is likely to provide a diminishing spin off for

British trade, a new business guide has appeared that draws attention to the commercial opportunities provided by world aid funds.

Its publishers claim that it is the first comprehensive guide to the major multilateral and bilateral aid agencies. It is primarily aimed at medium-sized businesses unaware of the potential of aid-backed businesses and deterred by the voluminous data provided and the complex procedures of individual agencies.

Global aid disbursements amounted to \$30bn in 1979, accounting for about a third of the capital flow to developing countries. Of this \$25bn came from the OECD countries and \$4.7bn from OPEC.

Some 60 per cent of aid from the OECD countries—including all that passes through multilateral institutions such as the World Bank—as well as all OPEC aid is not tied to the procurement of equipment or services from particular nations. This represents the potential

volume of aid business open to international competition.

The book contains a directory of the major multilateral agencies including the regional development banks and the various Arab funds with information on their staffing structure and their tendering procedures. It also provides similar useful data on the major bilateral donors.

Business Guide to World Aid Funds and Projects. Palace Publishing Limited £40.

World Economic Indicators

	FOREIGN EXCHANGE RESERVES (\$USm)			
	Jan. 1981	Dec. 1980	Nov. 1980	Jan. 1980
UK	18,720	18,753	18,986	18,852
US	10,642	10,134	8,735	4,448
Belgium	4,471	4,429	4,761	4,078
West Germany	42,369	41,749	41,538	46,150
Spain	22,724	21,567	21,267	16,849
Italy	20,480	21,652	21,424	18,538
Netherlands	9,911	10,434	10,180	7,239
France	25,338	26,595	26,575	16,100

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UK NEWS

Government 'dithering' threatens foundries

By Arthur Smith, Midlands Correspondent

GOVERNMENT "dithering" over energy costs poses a threat to many British iron foundries, the industry warned last night. Most of the 70,000-strong workforce is currently on short time, and, without quick Government action, further closures are inevitable, according to Mr. Derek Farrant, director of the Council of Ironfoundry Associations.

He complained of "unfair competition" from low priced imports. Coke, the industry's prime energy cost, was on average 30 per cent dearer than in other European countries.

"That is a fact agreed by the National Coal Board, the Department of Industry, and the energy task force set up by the National Economic Development Office. Yet the Government when called upon to act remains dilatory and dithering," Mr. Farrant said.

The industry was pressing not for other members of the European Community to withdraw subsidies on coke but for the Department of Energy to make a similar payment.

The associations point to a study commissioned from management consultants Knight Wegstein, of the three countries considered to pose the most serious threat to the UK—Spain, France and West Germany.

The study finds that in the UK:

- Pig-iron is about 10 per cent dearer.
- Coke is about 10 per cent higher than in Spain and West Germany, and 40 per cent dearer than in France.
- The cost of money is higher than in France and West Germany.
- Spain provides significant aid to exporters.
- Investment incentives appear to be the lowest.
- Spanish environmental requirements are minimal.
- Support in time of crisis is much more readily available in Spain, and marginally so in France and West Germany.

The study concludes that the most likely explanation of cheap imports to the UK is "the desperate attempts of gravely under-utilised foundries to maintain enough volume to have a reason to exist."

Estate agents report modest house price increase

By Andrew Taylor

MANY estate agents report that house prices are starting to edge upwards again, according to the latest monthly price survey published by the Royal Institution of Chartered Surveyors.

The survey of more than 100 estate agents confirms that a slow spring thaw in house prices has been taking place in many areas since the start of this year. But the institution warns that a price boom is not around the corner.

The market for pre-1919 terraced houses, popular with first-time buyers, remains the strongest. Half the agents report price increases of more than 2 per cent in this sector and none report lower prices.

The survey shows that a third of agents reported that prices had risen between 2 and 5 per cent during the first quarter of this year. And significantly more agents are reporting price rises more than in previous months.

However, the institution says the bulk of agents were still reporting on change in prices. It was encouraging that fewer agents were reporting price falls.

The institution said: "There is more evidence of hardening prices, but the house market is still very irregular and sellers misinterpret the conditions if they believe that a general rise in values is around the corner."

The institution views with

concern reports that the inflow of funds to building societies is showing a marked drop from last month. It says that "house-builders are not being encouraged to build new units."

The results of the survey confirm the views expressed recently by three of the country's largest building societies—Nationwide, Abbey National and Leeds Permanent—that prices in the past two months have started to

rise again after falling sharply in January.

Leeds Permanent said last week that there had been an improvement in prices recently, although the building society's figures showed that prices during the first quarter of 1981 as a whole had fallen by 2 per cent compared with the last quarter of 1980.

A similar survey by Nationwide, however, showed that house prices rose in the first quarter by 1.1

per cent. Most societies still expect only a modest recovery in house prices the year—of about 10 per cent—following recent successive reductions in the mortgage rate.

The Leeds Permanent says: "A boom in house prices is unlikely in the current climate since the prospect of a higher rate of unemployment and little or no economic growth will continue to have a moderating influence."

Nissan project could boost Japanese component dominance

Ken Gooding looks at the debate over British content

THE PROSPECT of Nissan setting up a £300m plant to produce 200,000 Datsun cars in the UK each year has been welcomed by Mr. Norman Tebbit, Minister for Industry.

Mr. Tebbit said: "Surely it is better for the British people to buy Japanese cars made by British workers than to buy German cars assembled by Turks."

But the motor industry has been infuriated by this simplistic assessment of a highly complex problem and one of the most significant issues it has ever had to face.

It is an issue which is causing agonised discussion throughout the European motor industry not just in Britain.

There is a widely held theory that the Japanese are ready to concentrate their main thrust in the motor industry on the component sector. They find advances in car exports to the major markets in the West blocked because penetration has gone about as far as can be politically tolerated.

But the era of "world components" high-value items made in huge numbers at relatively few centres which can be shipped to car assembly plants in all major markets, has only just begun.

Some Europeans who subscribe to the idea that Japan's industrial efforts are carefully co-ordinated by the Ministry of International Trade and Industry go so far as to suggest that the Japanese would like to make the world motor industry dependent on them for most key components. And they are afraid the Nissan project might help bring that day closer.

So at the centre of the debate is the question: On what terms should we welcome the Japanese car makers to Britain and, via

Britain, the EEC? There are many in the UK who would reply: On any terms at all.

Even those British component makers who suggest that the Government should ask for some safeguards are worried that Nissan might be driven away by misinterpreting the debate as hostility to the project.

Certainly the outlook for car making in the UK is pretty dismal unless it gets a healthy injection of new blood from someone like Nissan.

There are still reasonable doubts about BL's ability to survive as a maker of cars in any volume. Ford made it clear it won't be adding to its assembly capacity in Britain because it can't produce at anything like full capacity here. Both General Motors, Vauxhall's parent, and Peugeot SA, which owns Talbot, seem intent on running them as assembly-only operations.

Vehicle output in Britain, which peaked at 1.9m in 1973, might be as low as 850,000 this

year, according to some forecasters. So it is not surprising that the component sector is suffering heavy losses, not only of jobs but of whole companies.

So, why not have the Japanese at any price, using BSC steel, Dunlop Tyres, Triplex glass, and a British workforce?

The answer is that the Japanese have nearly wiped out the motor cycle, television, radio, calculator and many other electronics industries in the West and they could do the same to the car business if not held in check by political factors.

"The Japanese can now produce at a cost and in such quantities as to make the whole of the European car industry unviable," says Mr. Anthony Fraser, president of the CLCA (Comité de Liaison de la Construction Automobile pour les Pays de la CEE), which includes all the European motor manufacturing associations.

The European manufacturers calculate that if Nissan established only an assembly

operation in the UK and imported all major parts from Japanese factories rather than buying them in the EEC, it could save £750 on each car.

That would give the company the flexibility to choose between declaring outright price war, or making huge profits, or something which combined a bit of both.

This frightens Ford in particular. Not only has Ford in the past developed the same kind of image as the Japanese—of a company which, while not in the forefront of technology, offers cars which combine reliability and value-for-money—it also knows that the car Nissan intends to produce in the UK will be a direct competitor for its best-selling Cortina.

Nissan has also stressed that it would expect the car it might produce in Britain, a 1.6 litre model in one or two versions, to be additional to its imports. So it seems to be aiming for a market share of at least 15 per cent.

Ford, as market leader with 30 per cent, and BL, with about 20 per cent, must be in line to lose ground as Nissan advances.

But the whole European industry would be affected by Nissan exports from Britain and, as Mr. Fraser points out, "no European nation could stand by if the survival of its motor industry was threatened."

Sir Michael Edwards, chairman of BL, outlined his stance, and his comments echoed those from other manufacturers such as Ford of Europe and Renault.

"If the project is genuinely intended to provide an EEC manufacturing base for Nissan products, then we shall be willing and able to compete with them. If, however, Nissan's intention proves to be to establish a largely cosmetic assembly operation in the UK while maintaining a very substantial Japanese content for its products, then we shall make strong representations to the Government."

"In that case, Nissan's ability

to benefit from traditional Japanese advantages, such as the supply of cheap components and sub-assemblies from smaller companies providing very low wages and poor working conditions, will result in a net loss of jobs in the UK because of its impact on other car manufacturers and the component industry. That is why the issue of local content is so important."

Nissan has already told the UK Government that the cars it will produce in Britain, if it goes ahead, will start with a 60 per cent European content rising to 80 per cent as soon as possible after full production is reached. But it did not specify how the percentage would be measured.

The Europeans are struggling to agree about what they should press for. Like Nissan they find themselves in a position where a major false step might prove disastrous. They fear that if they get the formula wrong, Nissan might trundle in "a Trojan horse" which could open us up to a flood of cheap components from Japan.

BL, Ford and Renault have all suggested that Nissan should be asked to source at least 80 per cent of its car components measured by weight so as to overcome distortions which might arise from transfer pricing.

However, Mr. Fraser points out that this would encourage the Japanese to source heavy, low-technology items like castings in Europe.

Even 80 per cent of the total ex-factory value of the car would mean that only labour, body panels, the overheads of the factory and some trim would be locally supplied and very few of the new and sophisticated items which are becoming more and more important in modern vehicles.

De Lorean begins to export sports cars

By our Belfast correspondent

THE FIRST shipment of sports cars from the Government-backed De Lorean Motor Company in Belfast has left Northern Ireland for Long Beach, California, for distribution in the U.S. next month.

The shipping of the 375 cars, worth more than £4m in the marketplace, means that the Government will receive

its first royalty payment of about £70,000 under the agreement to fund De Lorean's assembly plant.

The Government has committed £70m through grants, loans and equity to the project which was initiated by Mr. John De Lorean, former General Motors executive. A recent request from De Lorean

for a restructuring of its debt repayments was turned down by the Government.

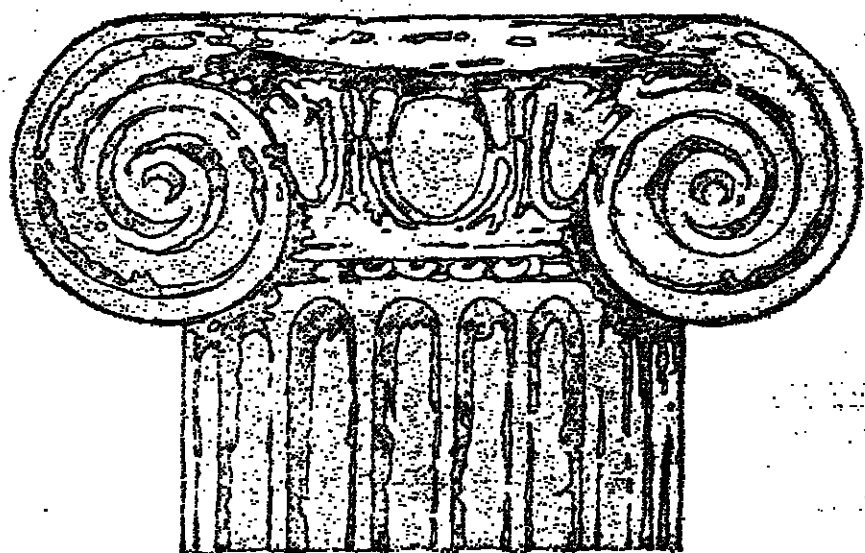
The shipment comes only 30 months after work began on the building of the assembly plant.

The stainless steel-skinned sports car with its distinctive gull-wing doors is being produced at the rate of 20 a day,

soon to rise to 28, and to 80 by the end of the year. The company hopes to sell 30,000 cars a year through its 350 U.S. dealers.

De Lorean is aiming at a labour force of at least 2,000. It already employs 1,400. The car should reach the UK and the European markets next year.

ASSETS: \$13.5 BILLION*



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*1979—consolidated figures



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1980	£1,351,632	£1,100,000,000

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UK NEWS

Midlands company faces the recession with confidence

Maurice Samuelson explains why prospects are good for multi-fuel boiler producers

A MIDLANDS heavy engineering company which has had no orders for three months says that it has been thriving throughout the economic recession and is confident that its fortunes will soon look brighter than ever as industry turns increasingly from oil to coal.

The company is Parkinson Cowan GWE, a subsidiary of Thorn-EMI and a market leader in medium-sized boilers heavily geared to burning coal and waste products.

Workforce boosted

While other companies have been closing down or reducing staff it has boosted its workforce by about 40 per cent in little more than a year and has taken over an additional 10-acre site with a view to boosting its production capacity by 80 per cent.

Like other boiler-makers, its orders have been hit not because its customers have been all wiped out but because they are waiting for the package of grants for conversion from oil to coal promised by the Government during the recent show-down with the miners.

Mr. John Tatem, Parkinson's chairman and managing director, forecasts "a deluge"

of orders for solid-fuel burning plant once the proposed 25 per cent capital grants are fully in operation later this year. Mr. Reg Northcote, marketing director, says "after the lull we expect the good times."

In March, the company's cash inflow hit an all-time record and turnover in the latest financial year has reached £8m. In the past 18 months, the workforce grew by about 100 to more than 380 and is budgeted to rise to 420 by next March.

Now in its 50th year, Parkinson Cowan GWE can draw further satisfaction from the fact that the large construction shop, which it has occupied alongside its own 20-acre works, had to be given up by another company because of falling orders for North Sea oil industry structures.

This has special significance for a company whose fortunes remained partly, if not exclusively, attached to coal throughout the era of cheap oil which swept so many other older industries away. The fact that it is still firmly afloat makes it well placed to catch the tide now running strongly back to coal.

Parkinson attributes its survival to its pioneering role in introducing the package boiler into the UK in the mid-1950s. Previously, factory boilers were put together at their final destination. But Parkinson had



Boilers inside the Dudley works of Parkinson Cowan GWE

the foresight to buy a U.S. licence for gas or oil-fired plant in which boiler and burner equipment are married together before delivery to the customer.

The package boiler was adapted for the coal market in the 1960s by the addition of a drop tube system for sprinkling coal into the boiler's roof instead of by the traditional chain-grate or under-feed stoker.

Parkinson subsequently developed multi-fuel boilers to burn a wide variety of industrial, agricultural and municipal waste. In Spain, one of the many overseas countries in

which its boilers are made under licence, one installation burns grape skins. Another, for Bangkok, will burn rice husks.

But it is in Britain, where oil and gas boilers still outnumber coal-fired by about 50,000 to 10,000 that the Dudley factory looks for its continued expansion. Its potential customers are owners of plant requiring intensive steam raising of up to 30m British Thermal Units an hour—from hospitals and laundries to dyers and textile works.

Two multi-fuel coal-fired

boilers have recently been sold to Thermaline, which makes insulating building blocks out of ash from power stations. Weekly running costs are said to have been cut to £4,800 from the £6,600 of the earlier oil-fired boilers.

Savings of \$45,000 a year have been claimed by English Rose, the kitchen and bathroom furniture makers, at Warwick, which installed Parkinson Cowan GWE boilers for burning sawdust and wood trimmings.

Later this year the company

will supply a boiler at a hospital in Derby to burn not only "waste" (anything from newspaper to faded flowers) but what the company delicately calls "pathological waste."

At present this material is burned in special incinerators; but thanks to a scheme to sterilise the boilers, patients will be able to play an even more direct part in the popular cause of energy conservation. Such schemes, it is claimed, can help to meet a tenth of the hospital's thermal requirements.

Like its competitors, Parkinson is looking closely at fluidised-bed combustion (in which fuel is burned on a turbulent red hot bed of sand or ash). It enables a wider range of fuels to be burnt and cuts down pollution.

But with demand still buoyant for its Vekos range of multi-fuel packaged boilers, it cautions against regarding fluidised-bed as the only key for bringing industry back to coal, a point which is supported by the National Coal Board.

One unspoken fear at Dudley is that competition will intensify once the coal conversion process starts in earnest. With the expiry of one of its important patents, it is therefore trying to patent new control mechanisms. It is also trying to improve its reputation for after sales service.

Mr. Tatem and Mr. North-

cote, who have built the business to its present level, have been with it for 34 and 33 years respectively. Their success is all the more marked in view of the number of other boiler-makers to have disappeared.

There are now only about a dozen member companies in the Association of Shell Boiler-makers compared with about 20 in the 1960s, when Mr. Tatem was its chairman. Of those 20, only three are still there, Mr. Tatem says.

Victims of geography

Those to succumb were partly victims of geography. Boiler-makers, as producers of cumbersome plant difficult to transport long distances, have tended to reflect local prosperity. Hence the decline of the Lancashire and Yorkshire textile industries is partly to blame for the fate of boiler-makers in those regions.

Parkinson, on the other hand, had the advantage of being in the centre of England. It was also able to move its more mobile package boilers into those areas where competitors had failed.

If it resists the natural tendency to rest on its laurels, it should live up to the promise which Thorn-EMI clearly expects from it.

State funds for N. Sea gas project 'essential'

MR. MERLYN REES, Shadow Energy Secretary, has called for urgent Government financial backing for a North Sea gas-gathering pipeline.

"Unless there is now a clear initiative from the Government, this important national development will go by default," he said in a letter to Mr. David Howell, Energy Secretary.

Mr. Rees warned: "It is becoming clear that the private sector is unwilling to enter into the commitments necessary to finance the programme."

Faced with Government vacillation, some oil companies now appear to be considering establishing their own schemes which would greatly harm the viability of the main scheme.

"The pipeline would be a major public utility and its rapid development must now be a major national priority."

Homes for sale

STOKE-ON-TRENT City Council, one of seven local authorities given an ultimatum by the Government over the sale of council houses, now hopes to sell up to 100 a week.

Mr. Arthur Cholerton, council leader, said: "No one has any justification to try and castigate this council or members of our housing department over this matter."

'Bargain' fine

MFL, the furniture group, has lost a test case over advertising which, its counsel said, could affect traders throughout the country.

It was fined £7,400 for using newspaper advertisements and posters at its Bradford premises which described offers as bargains, but did not give any price comparisons. The company may appeal.

Short-time work

MARKHAMS, one of the largest engineering factories in the Cheshire area, is to start short-time working for 600 shop floor employees. The management has told the unions that the alternative would have been over 200 redundancies.

Pritzker prize

JAMES STIRLING, the British architect, has won the Pritzker Prize, the world's richest architectural award. The presentation of the \$100,000 (£45,500) prize will take place at a ceremony in Washington on May 19. It is the first time that the nomination has gone to a Briton.

Football taints

BRITISH RAIL confirmed today that there will be compulsory seat reservations, a suspension of most cheap tickets and a ban on alcohol on all trains from Scotland to England during the Spring Bank Holiday. Passengers affected will be those intending to travel south by any train from Scotland to England on Wednesday, May 20, Thursday, May 21, Friday, May 22 and early Saturday morning, May 23—the day England play Scotland in the football international at Wembley.

FO refusal

MR. ROBERT CRYER, Labour MP, said yesterday that he is considering whether to raise as a breach of parliamentary privilege the Foreign Office refusal to allow MPs to visit Diego Garcia, the British island in the Indian Ocean as part of their parliamentary duties. The island is being developed by the U.S. as a military facility.

Spending decline predicted

By Our Economics Staff

CONSUMER spending is likely to decline by about 1 per cent in real terms this year, Standard Half Associates, the business forecasting and advisory group, warns this morning.

In its latest quarterly forecasts of consumer spending, the group projects a marginal decline in expenditure on food this year. But spending on alcoholic drinks and on durable goods is expected to be much lower than in 1980.

The volume of consumer spending should, however, recover significantly next year to be around 24 per cent higher.

Expenditure on discretionary items (durable household goods, clothing and footwear, alcohol and most services) should show an above average rise. Car registrations should move back above 1m.

The group highlights the signs that the recession in UK output is bottoming out about now but it warns that the recovery over the next 12 months will be slow.

The annual rate of retail price inflation is forecast to slow to single digits by the end of this year and throughout 1982.

A deterioration may occur by 1983 with prices rising by 11 per cent or so in 1984. Over the five years to 1985 retail prices are forecast to increase by 94 per cent a year on average.

Saddlery hopes hang on showjumping World Cup

By LORNE BARUNG

THE UK saddlery industry is hoping for a good showing by British riders at the International Showjumping Championships this week to boost sales, which have been in the doldrums for nearly a year.

For the first time the showjumping World Cup is being held in Britain at the Birmingham National Exhibition Centre. Saddlery manufacturers will be displaying their goods. Competition among them is expected to be as keen as in the arena, with a large number of suppliers chasing buyers.

The focal point of Britain's saddlery and leather goods industry is in nearby Walsall. Companies there have enjoyed

a boom in the past 20 years as riding has become more popular in Europe and the United States, largely as a result of television coverage of showjumping.

But the recession has hit the riding fraternity hard and demand for new saddles, harness and the large range of essential riding equipment has fallen sharply. Sales in the United States, the prime market for some manufacturers, have suffered because of the strength of sterling.

Although Walsall has only three major saddlery companies, there are dozens of small concerns which have grown in number in the past

few years as more individuals have been induced to start up on their own. It is estimated that the industry's annual sales in the UK are about £15m, with exports perhaps double that.

In Europe the main competition comes from West Germany, where one saddle manufacturer, Stibben, has achieved high quality with mass production. A large proportion of British saddles are hand made, often virtually by one person, and their quality is a major selling point—particularly in the U.S.

Although German manufacturers suffer from higher wages and leather costs than those in Britain, they are increasingly successful abroad, and the UK

has lost preferential tariffs in a number of countries such as Canada, where competitors are making inroads.

There is also price competition from India and Pakistan, whose products are improving in quality. Hungary and Romania are selling strongly into Western Europe, where the strength of sterling is a problem for UK exporters. But there are signs that overall demand may be improving.

Mr. Wilfred Price, managing director of Eldonian Brookes, one of the largest Walsall saddlery makers, said: "Television has been a marvellous marketing aid for us, and the Royal family's involvement with

horses has also helped. But a number of companies have suffered badly in the past few months."

He believed the pattern of growth would continue, pointing out that all saddlery had to be replaced eventually.

Mr. Price, who is also chairman of the newly formed Walsall and District Saddlery and Harness Association, said there had been criticism over poor exhibiting arrangements for companies at the exhibition centre, but he believed these would be improved.

It is hoped the event will eventually become as important for saddlery as the annual sports goods fair at Stoga, near Cologne.

Cancer researchers investigate the potential of interferons

By DAVID FISHLICK, SCIENCE EDITOR

FIRST British tests on interferon ordered for cancer research from the Wellcome Foundation last year show that higher doses than were previously thought possible can be given intravenously to patients.

The tests, for dosage and toxicity, are being done by cancer researchers at St. Bartholomew's Hospital, London, using initial consignments from a film order placed by the Imperial Cancer Research Fund.

Side effects from these

high doses of interferons are described as "unpleasant but manageable" by Dr. Walter Bodmer, the ICRF's director of research, in the medical charity's annual report.

They are not usually as severe as those obtained with the most widely used types of drug for treating cancer at present, Dr. Bodmer says.

But he warns that amounts of interferon available "though appreciable, are still limited relative to the needs for major clinical trials."

Some of the Wellcome interferon is also being used for research at the ICRF laboratories, into biological effects on tumour cells and on the body's responses to the drug.

The researchers believe that they may have found a way of measuring whether interferons, when given to a particular patient, have penetrated the parts the doctors are trying to reach.

They hope the drug can switch off growth in living

cells. If so, and provided it can be administered specifically to cells that are growing uncontrollably, it may be able to arrest the growth of malignant tumours.

The side effects are similar to the symptoms of influenza—high fever, headache, tiredness and loss of appetite. Mild liver damage, a fall in white blood cells, and thinning of hair have also been reported.

The first trials with the Wellcome drug will probably

be in patients who are not responding well to treatment by other cancer drugs, such as those with cancers of the lung, skin or blood.

In its accounts the ICRF, richest of Britain's cancer research charities, says that it received £15.17m in 1980, an increase of 19 per cent on the previous year.

Imperial Cancer Research Fund. Annual report and accounts 1980. PO Box 123, Lincoln's Inn Fields, London WC2A 3PX.

Small claims court changes

Changes in small claims procedures should make it easier for consumers in England and Wales to go to court over disputes with dishonest traders, says the National Consumer Council.

The cash limit for small claims which can be heard under the low-cost county court procedure, is being raised from £200 to £500.

Cases involving sums up to £500 will now automatically be heard by informal arbitration

under new rules introduced by the Lord Chancellor. Solicitors' costs will not be recoverable by parties to a dispute heard by informal arbitration, and it will be possible for county court registrars to decide for themselves how best to conduct it, in the interests of justice.

"The cases are usually heard in the registrar's own office instead of the rather imposing court room," said Mr. Richard Thomas, NCC legal officer.

Redundancies

Clarke and Sherwell the Northampton printing firm, is making 33 of its 167 workers redundant because of a decline in orders.

New Issue

All of these bonds having been sold, this announcement appears as a matter of record only.

April 1981



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Kuwait Foreign Trading Contracting & Investment Co. (S.A.K.)

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British Government and IRA on another collision course

The mood is tense after Sands' election. Stewart Dalby reports from Dublin

THE BRITISH Government and the Provisional IRA again seem to be on a collision course over the question of political status for terrorist prisoners in Northern Ireland.

Over the past weekend, loyalist Unionist feelings have been inflamed by the visit by three Eire MPs to Mr. Bobby Sands, the terrorist who is on hunger strike in Maze Prison, Belfast, Northern Ireland and was recently elected as a Member of Parliament at Westminster. Mr. Sands was given the last rites on Saturday.

The Irish Republican view now is that because of the international publicity that the hunger strike is causing—publicity which has increased since Mr. Sands was elected as the MP for Fermanagh and South Tyrone—and the increased tension and violence in Northern Ireland, Mrs. Thatcher, the British Prime Minister, will come under great pressure to concede to the hunger strikers' demands for political recognition. This pressure will be that much greater if Mr. Sands continues his hunger strike (despite the fact that the Eire MPs might have urged him to call it off) and dies.

Mr. Sands is now in the 52nd day of his hunger strike in prison. In the last hunger strike last year, Mr. Sean McKenna was given the last rites on day 53.

Mr. Sands' condition is described as "progressively weaker" by the Northern Ireland Office. His family say he is about to go into a coma.

His strike has led to violence. There have been four consecutive nights of rioting in London, derry, Northern Ireland, Sunday night two teenagers were killed when hit by a British Army Land Rover.

Tension is running high. The Provisional IRA has threatened a campaign of violence should Mr. Sands die. Retaliatory action by Protestant paramilitary groups—or at least demonstrations by loyalists over the Irish MPs' visit—are also likely.

Apart from anything else, Mr. Sands' death could have serious consequences for the chances of moderate Catholic groups such as the Social Democratic and Labour Party in Northern Ireland's district council elections on May 20.

It could also make life difficult for Mr. Charles Haughey, the Irish Prime Minister, as he probably approaches a general election. This in turn could affect the so far fruitful joint Anglo-Irish initiative on Northern Ireland.

Three of the current four hunger strikers are members of the Provisional IRA. The Provisional Sinn Féin, the political wing of the Provisional IRA, and the National 2 Block committees with whom they are closely associated, feel that Mr. Sands' campaign has been given a boost by his election as an MP just over a week ago.

Mr. Sands, who was the only Nationalist standing in the by-election, beat the only Unionist, Mr. Harry West, by 1,444 votes out of a total vote of just over 62,000—86.7 per cent of the electorate.

What this victory demonstrated, according to Mr. Sands' supporters, was that the Catholic population is wholeheartedly behind the Provisional IRA in their demands for prison reform which call for them to be reorganised as political prisoners. They do not claim that the

vote was a mandate for violence but a reflection of humanitarian concern.

Before Christmas, the hunger strikers made five demands about prison conditions. The British Government granted three and two halves of the five.

The sticking points—or the area where, according to the Provisional Sinn Féin, the Government has reneged earlier promises—are over prison clothes and work. Prisoners are allowed to wear their own clothes in recreation in the evenings and at weekends, but must wear prison issued civilian clothing during working hours.

There was also meant to be a liberal interpretation of prison work. The prisoners claim that there has been no such interpretation. They refuse to wear prison clothes. Although the original seven hunger strikers came off their protest, Mr. Sands and three others started again.

The Government has said that it will not grant political status to the prisoners, a policy reaffirmed by Mr. Humphrey Atkins, Secretary of State in

the House of Commons last week. The Government is continuing the policy of the last Labour Government which states that there is no such thing as political murder or political acts of terrorism.

The weakness of the Government's position, as seen in some U.S. and European quarters is the methods under which the Provisionals were convicted.

The system in Northern Ireland is one of so-called Diplock courts—that is, one judge sitting by himself. Usually, convictions are made on confessions.

In the past, as the Bennett Commission concluded, confessions have been known to be beaten out of suspects.

It has been argued that trial by jury is not possible because of the threat of intimidation. But even in Dublin, special criminal courts have three judges. However, it does bear repeating that the European Commission on Human Rights agrees with the British Government that the terrorist prisoners should not be granted special status.

Besides all this, convicted terrorists enjoy a psychological advantage that they do not consider themselves criminals and do not suffer the remorse and guilt that criminals might suffer.

As one Sinn Féin member put it recently: "There's hardly a leader of Britain's old colonies who has not spent time in a British jail. Look at Mugabe in Zimbabwe."

Against this, Mrs. Thatcher could argue with some force that the Provisional IRA is not a nationalist movement in the strict sense of the word, and that its violence is not in support of the liberation struggle but is aimed at wrenching the sovereignty of Northern Ireland away from one country (Britain), and giving it to another country (Eire); another country, moreover, in which there is a deep-seated ambivalence about reunification even though a great deal of lip service is paid to the idea.

But even if the Provisional IRA does enjoy mass support, it should be borne in mind that, in the last resort, it is mass support among the minority.

The Provisional IRA regard themselves as the heirs of the martyrs of the 1916 uprising. But these men enjoyed the support of the bulk of the Irish population. The British general election immediately after World War I showed this when Sinn Féin swept the board.

In effect, the Republican prisoners in the Maze already enjoy special status. Most of their demands have been met.

Through a process of semantics, Mrs. Thatcher and Mr. Atkin may be able to satisfy the prisoners' outstanding demands. However, if Mrs. Thatcher grants political status—or makes concessions which are seen to be tantamount to political status—she may have to face great trouble among the Unionists.

By making such a decision, she would effectively legitimise the Provisional IRA and recognise its aspirations as a bona-fide political movement.

There is a majority of 1m Protestants in Northern Ireland who do not want anything to do with the Irish Republic. They would consider themselves entitled to believe that their violent wings should also be legitimised.

The Provisional IRA regard the border, is a unique one. It has seen a lot of sectarian killings. The tribal affinities are more pronounced in this constituency than elsewhere.

It is questionable, for example, whether the same type of voting pattern among Catholics would occur in East Belfast or South Belfast.

There was only one Nationalist candidate in Fermanagh. As Mr. Haughey explained last weekend, anyone who knows the constituency would have expected the result because keeping the Unionist out is of greater importance than anything else.

The district council election, which will be on the basis of proportional representation, may provide a better guide to Provisional IRA support, although it now seems that the Provisional Sinn Féin is not planning to contest these elections.

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Freight proposals 'favour Continental systems'

BY LYNTON McLAIN, TRANSPORT CORRESPONDENT

PROPOSALS from the European Economic Community to promote the combined road and rail movement of freight have been attacked by the Freight Transport Association because of their "limited scope."

The EEC proposals in the draft directive COM (80) 796 on combined transport call for financial aid. But the

FTA, which represents the transport interests of 16,000 companies in industry and commerce in Britain, said last week that the proposals for financial aid were biased towards the continental "piggy-back" systems where lorries are carried on trains.

Britain's rail network does not have the operational gauge for this type of traffic. The association said the EEC

proposals would harm container systems in Britain, such as that operated by British Rail's Freightliner company.

Delays in the harmonisation of technical aspects of transport among EEC member states mean that under the EEC proposals financial aid could be used "to promote the incompatible French and German piggyback services

which have a limited capability for international development," the FTA said.

Even if the problem was resolved there must be doubts on the viability of a piggy-back system in the UK domestic freight market running parallel with the sophisticated and extensive Freightliner container system," the association said.

Businessmen to lobby MPs over duty on derv

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

THE Confederation of British Industry will mobilise its regional political contacts after the Easter Parliamentary recess to try to persuade the Government to cut its planned 20p a gallon increase in the duty on derv.

Members of Parliament of all political parties will be contacted by local businessmen in their constituencies and will be asked to oppose

the increase when the Finance Bill passes through the Commons.

The CBI estimates that the 20p increase, which will provide the Treasury with revenue totalling about £270m in 1981-82, will add 5 per cent to business costs.

It has decided to throw its weight behind a campaign being waged on the issue by the Freight Transport Association and the Road Haulage Association.

It hopes that its campaign will persuade the Government to cut the increase, which was announced in the Budget, before Parliament votes on the issue.

Otherwise it will have to decide whether to ask MPs to vote against the increase. This would be a controversial tactic because of the staunch

support given to the Government on most issues by influential CBI members.

The system of businessmen lobbying local MPs in their constituencies was developed by the late Sir John Methven, when he was the CBI's director-general, during battles with the last Labour Government.

It is carried out alongside more traditional lobbying at Westminster.

BA introduces West Canada link

FINANCIAL TIMES REPORTER

BRITISH AIRWAYS, which this year celebrates 40 years of air links with Canada, inaugurates on April 23 its first scheduled service to Western Canada.

The new London link with Vancouver, Edmonton and Calgary brings the world to Western Canada's doorstep by connecting with British Airways' comprehensive global network.

The new services, which com-

plement the regular flights already available to Toronto and Montreal, are timed so that passengers can make easy connections from 100 cities in Europe, Africa and the Middle East.

Mr. Gerry Draper, British Airways director of commercial operations, said today: "This is an exciting new chapter in our long association with Canada. The Western Provinces of British Columbia and Alberta offer tremendous chal-

lenges and opportunities for tourism and business alike."

There will be four flights a week from Heathrow to Vancouver—it becomes a daily service during the peak summer months between June and October—with two flights a week going via Edmonton and two a week via Calgary.

All flights will be by wide-bodied Boeing 747 aircraft with a journey time to Vancouver of as little as 10 hours.

Small airline expects good year

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

AIR UK Commuter Services, the name given to the new small-aircraft operation which Air UK began earlier this month, plans to attract 100,000 passengers in its first year.

Mr. George Eaton, general manager of the service, says that initial passenger reaction to the plan is encouraging.

Using six Brazilian-built Bandeirante twin-turbo-prop aircraft, each seating 17

passengers, Air UK Commuter Services is flying regularly between: Exeter-Paris, Exeter-London, (Gatwick); London (Gatwick)-Rotterdam; Southend-Düsseldorf; Southend-Ostend; Southampton-Paris (Orly); Southampton-Amsterdam; and Jersey-Paris (Orly).

These eight routes will be flown by 79 round-trip services each week.

● Eastern Airways, the small

regional airline based at Humberside Airport, is to start a scheduled service between Humberside and Heathrow via Norwich, on April 27, using twin-piston engined DC-3 aircraft.

● The UK is to collaborate with France, West Germany and the Netherlands on aerospace research and technology under a new agreement between the four countries.

West Scotland shows recovery signs

BY MAURICE SAMUELSON

SIGNS of economic recovery in the West of Scotland, one of the areas worst hit by the recession, are reported in the latest quarterly survey by the Glasgow Chamber of Commerce.

The Chamber found, in its two preceding surveys, signs that the recession was bottoming out. But its report for the first three months of 1981 says that the indicators were mov-

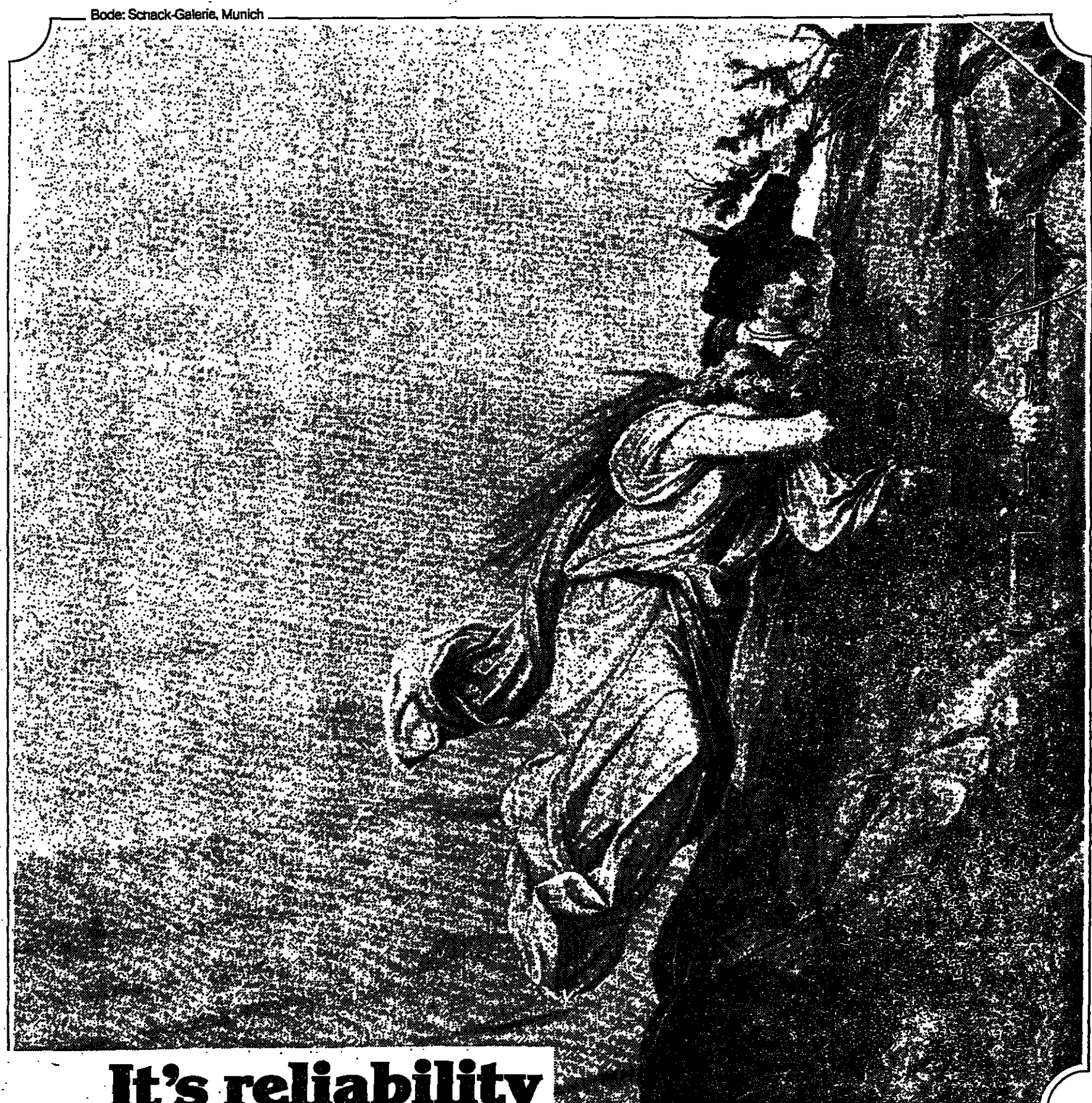
ing upward more markedly than before.

More companies were now reporting better home sales and orders. Although there was no movement in export sales, export orders were improving.

Production, stock levels, employment and investment intentions were also stronger. Almost twice as many busi-

nesses as three months ago expected turnover and profitability to improve in the next quarter.

While cautioning that economic activity was still at a low ebb, the Chamber said: "There can be no doubt that things have improved slightly but steadily, and that in the West of Scotland the recession probably bottomed six months ago."



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INDUSTRIAL ACTION IN BANK BRANCHES.

The Banks listed below regret that industrial action by some members of one of the banking unions may affect services in certain branches on Wednesday, 22nd April, 1981.

The areas likely to be affected are Merseyside, the West Midlands, Avon and the West End of London.

The Banks will make every effort to keep branches open and maintain services in the affected areas.

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UK NEWS - LABOUR

CBI staff
pay rises
average 7.5%

By Our Industrial Editor

SALARY INCREASES awarded this year to staff of the Confederation of British Industry averaged 7.5 per cent. Sir Terence Beckett, CBI director-general has announced.

This figure is in line with the scale of increases being recommended by the CBI for its member companies.

During the financial year 1980-81, the CBI had a £370,000 deficit on a turnover of £6.9m. Sir Terence said he hoped that the organisation would "break even" in 1981-82.

Subscription incomes had increased slightly during the year despite the row last November over the CBI's attacks on the Government and despite companies cutting back on overheads because of the recession.

Perkins warns
workers over
unofficial action

ABOUT 8,000 workers at the Perkins Diesel Engine plant at Peterborough have been warned that jobs are at risk from unofficial strikes.

Production has been disrupted twice this month by stoppages over pay at a time when the company is losing orders because of a slump in overseas sales.

A letter to all shopfloor employees over the Easter holiday asks them to think twice before taking industrial action.

Strike at paper

THE SCOTSMAN newspaper, printed in Edinburgh, did not appear yesterday as 200 journalists on The Scotsman and the Evening News went on strike in support of a pay claim.

Workers' control boosts pit output

MINERWORKERS AT the Snowdown pit in Kent—one of the country's biggest loss makers and marked for closure earlier this year—say that production and morale at the pit have climbed sharply since the introduction of a management system in which there is a considerable element of workers' control.

Much of the production and manpower planning at the pit, and a certain amount of day-to-day management, has been devolved upon a working party largely consisting of trade union representatives from the pit and the Kent area of the National Union of Mineworkers.

The system has been judged so successful that it has been adopted in two other pits in Kent.

The working party, first formed last August, has seen production rise from 3,700 tonnes a week average at the end of last year to a rate of about 4,500 tonnes a week now. It aims to have an output of 5,000 tonnes by the end of this year, and is putting into effect plans to open two new faces.

It has brought a new underground roadway into service earlier than planned, thus getting minerworkers to the coal-face earlier and taking them away later.

Mr. Morris Bryan, the chair-

man of the NUM pit branch said: "We hope to have the materials going in this way in the next month, and that will give us an added boost."

The working party has taken up a long-standing demand of the area union, to drive down to a new seam beneath the present workings. The union believes that the viability of the pit has been proven, given the availability of extra reserves.

manager, and Mr. Tom Rutherford, the deputy manager.

The South Midlands area of the National Coal Board, which takes in Kent, was cautious about the new structure's success, and pointed to a similar system which had been operated in two Derbyshire pits.

However, while management at Kent area and pit level would make no official comment, it is understood that they see the

John Lloyd reports on how a
condemned mine managed to
raise its morale and output

Mr. Bryan and Mr. Jack Collins, the Kent area NUM secretary, believe that the working party has raised workers' involvement in decision making to a new level. Mr. Collins said: "I'm in favour of workers in the coal industry taking decisions once having these decisions implemented. This is a big step in that direction."

Both officials pay tribute to the enthusiasm for the new structure shown by Mr. David Hanson, Snowdown's acting

system as a fruitful development which has helped overcome the often strained industrial relations in the Kent coal-field.

This is clearly shown by the structure being adopted in the other two Kent pits, Betteshanger and Tilmantstone. Both are, like Snowdown, low productivity pits with difficult working conditions and a militant tradition among the minerworkers.

Mr. Collins and Mr. Bryan both admit that the success of

Scottish unions to fight redundancies

BY JOHN LLOYD, LABOUR CORRESPONDENT

SIGNS of a hardening attitude towards the continuing high level of redundancies in British industry emerged yesterday at the opening session of the Scottish Trades Union Congress in Rothesay.

Mr. James Morrell, the STUC president, told the 84th congress that the Government was "the most calculatedly anti-human collection of individuals who have ruled this country since

we first started to win the battle for British democracy."

Mr. Morrell told the delegates, representing nearly 2m workers, that the Government would have a fight on its hands.

Pointing to the Lee Jeans occupation of the Lee Jeans factory in Greenock by its 240-strong female workforce who had been threatened with redundancies, Mr. Morrell said that they were an example to workers.

"They prove that if we fight in the right way, even under the present Government, closures are not inevitable. They prove that trade unionism can, and must, win wide public support in fighting redundancies and in fighting for a change in policy."

The Lee Jeans occupation is being cited by many delegates as a symbol of resistance to what is seen as the effect of Govern-

ment policies. Mr. Michael Foot, the Labour leader, will visit the plant tomorrow.

The STUC General Council will move an emergency resolution during the congress calling on the Government not to use troops in industrial disputes.

A further motion called on the congress to expel unions which use "any provision of the Government's Employment Act, 1980."

Youth jobs
schemes not
fairly used,
says TUC

By Philip Sasset

THE TUC is pressing the Manpower Services Commission to close down work experience schemes where complaints of employers using young trainees for work instead of taking on permanent staff are substantiated.

The TUC's call follows allegations that some employers running such schemes under the MSC's Youth Opportunities Programme have been avoiding taking on full-time workers while making full use of trainees. The TUC has three representatives on the commission.

A document drawn up by the TUC's Employment Policy and Organisation committee calls for trade unionists to take a much greater part in monitoring VOP schemes and for more stringent controls to be applied to schemes in non-union workplaces.

In particular, "Unions at a workplace should counterbalance employers' applications to run VOP schemes."

Schemes involving non-union workers must be controlled by MSC special programmes area boards.

Special procedures should be brought in to problem areas. The document states that trade unionists can be relied upon to look for abuses of any scheme which damage the interests of their members. As an example, the TUC points to Nottinghamshire, where applications for agricultural employers are put for comment to the TUC-affiliated farmworkers' union.

The MSC will today publish its annual Manpower Review, which will suggest that unemployment is likely to remain relatively high until 1985.

Notice of Redemption

Monsanto International N.V.

8% Guaranteed Sinking Fund Debentures Due May 15, 1985

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of May 1, 1970 in which the above described Debentures were issued, Citibank, N.A. (formerly First National City Bank), as Trustee, has drawn for redemption on May 15, 1981, through the operation of the Sinking Fund, provided for in said Indenture, \$1,400,000 principal amount of Debentures of the said issue bearing the following distinctive numbers:

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Building and Civil Engineering

Basrah medical college contract

A CONSULTANCY contract for the design of a 500m medical college at the University of Basrah, Iraq, has been signed by London architects YRM International.

The Shiraziyah College will provide medical teaching and research facilities for some

3,000 students and staff, together with residential accommodation for 1,000 students. The site is adjacent to the present teaching hospital and overlooks a canal near the Shahr al Arab waterway south of Basrah.

A sports hall, student centre and library, are planned on the

ground floor of the main building, with teaching and research laboratories around the courtyard above. A service floor below the laboratory floors will provide space for horizontal services distribution and mechanical plant. The complex will be fully air-conditioned. Services engineers for the

project are Donald Smith, Seymour and Rooley, while FJS International are the structural and civil engineers. The YRM International team is working in association with Mahmood Ali and Partners of Baghdad and it is expected that the project will go to international tender before the end of 1981.

Surveyors 'slow on technology'

PROFESSIONAL quantity surveyors have been slow to take up new technology and have yet to be convinced of the benefits of the microcomputer.

Nevertheless, the use of small computers offers advantages which makes their adoption in quantity surveying essential. This is the chief conclusion of a report from the Royal Institution of Chartered Surveyors, *Chartered Quantity Surveyors and the Micro-computer* (£9 to RICS members from STS Publications Department, Norden House, Basingstoke, Hants).

Resisted
It warns that: "Resistance to change must itself be resisted. If the profession as a whole does not accept the new tools, then it leaves itself vulnerable. If the profession does accept them, much of the drudgery of practice will be removed and

the quantity surveyor's judgment will be exercised more freely and thoroughly."

It lists the chief advantages of the computer as:

● Potential reduction in production costs through faster work with less staff.

● Better management information about the organisation of the quantity surveyor's business—what type of job makes a profit or loss?

● Better service to the client through flexibility and accuracy. It urges potential users to introduce computerisation wisely: "Haphazard introduction, or introduction for the wrong reasons, may produce benefits fortuitously, but is more likely to result in losses and disenchantment."

It also suggests co-operation with others to bring down the cost of computing through, for example, joint development of common software, the instruc-

tions computers need to carry out their appointed tasks.

Finally it urges boldness:

"There are advantages and disadvantages in being the first to innovate. Invariably many have learnt from the mistakes of a few. There have always been

disadvantages in resisting change completely and being left behind."

"How many successful quantity surveying firms do you know who still use quill pens or comptometers?"

ALAN CANE

£3.8m in Canada

TWO contracts, together worth about £3.8m have been won by George Wimpey Canada.

The larger, valued at about £2.5m, is being undertaken for Calgary Power at the Wabamun generating station, Calgary, Alberta, and covers the construction of earth dykes.

The other contract, valued at around £1.3m, is for the Canadian Transit Company. The work involves rehabilitation of the deck of the Ambassador bridge at Windsor, Ontario, and this is now well under way.

Factory starts

CONSTRUCTION HAS begun on a £1.2m contract for nine advance factories in Mid Glamorgan for the Welsh Development Agency.

Situated in Pen-y-fan, Oakdale, and designed by the Lawray Partnership, the new factories will provide a total of 17,421 sq ft of accommodation. E. C. Harris and Partners is providing full quantity surveying services for the project, which has a 42-week contract period. The contractor is Shepherd Construction.

Gatwick work set for June

THE SOUTH PIER at Gatwick Airport, Surrey, is to be redeveloped and refurbished. Work on the £3m scheme is due to start in June, and should be completed in less than two years. Six companies are now competing for the contract, awarded by the British Airports Authority.

While continuing to serve both international and UK flight passengers, the pier will be reconstructed so that UK passengers will have use of the ground floor and overseas flight passengers sole use of the first floor, which at present serves both. Both floors will be redeveloped into large air-conditioned lounges so that passengers can wait in comfort and watch aircraft movements outside.

The redeveloped pier will be able to serve aircraft up to Boeing 727 size on the south side and up to A310 Airbus size on the north side, an improvement on present capacities. The three existing jetties will be totally rebuilt, while new Thyssen-Henschel fixed-head jetties have been bought for the remaining gates.

Kent old people's home

A £355,000 Kent County Council contract to build a 40-bed old people's home at Cranbrook, Kent, has been awarded to G. E. Wallis and Sons. The work includes the demolition of buildings on the site at Hartley House and is due to begin at the end of this month.

Work starts on Broomfield Hospital clinical blocks

WORK STARTED last week on a further phase of the development of the Broomfield District General Hospital, near Chelmsford, Essex.

The contract which is worth £7.4m and has gone to John Mowlem calls for the construction of two clinical blocks, one single-storey and the other of two and three-storeys linked to an existing ward block. A supplies building and workshop is included. Design is by architects George Trew Dunn Beckles Wilson Bowes.

The single-storey block will have a reinforced concrete floor, with structural steel frame enclosed in concrete, insulated lightweight pre-cast concrete plank roofing, reinforced polymer concrete parapet units at eaves level, and brick/block-work cavity walls.

The other clinical building will be of similar construction except that it will have a stepped ground floor slab and the frame, upper floors, roof and stairs will be of in-situ reinforced concrete.



Village deal for Beechwood

CIVIL engineering and building contracts valued at £1.4m have been awarded to Beechwood Construction (Holdings). A £600,000 contract from the North Wiltshire District Council, as agents for the Wessex Water Authority, covers the re-surfacing of the village of Brinkworth. This includes the laying of 10km of sewers and the construction of a pumping station and related works. The consulting engineers are Harvey, McGill and Hayes, Chippenham.

A second contract, valued at about £200,000, involves the laying of 3.5km of 700mm diameter pre-stressed concrete water main to the north of Bristol for the Bristol Water Works Company. At Vstalyfera, Mid-Glamorgan, the company has begun building a £200,000 reinforced concrete reservoir for the Welsh Water Authority. Work on a new £400,000 school at Pen-y-Groes is due to begin soon for Dyfed County Council, while a further contract for coastal protection work at Trefusith has been awarded by Ceredigion District Council.

Tarmac wins five South Wales orders

FIVE contracts in South Wales, together worth about £3.5m, have been awarded to Tarmac.

The largest, worth about £2.77m, is for the construction of industrial units on the Coedcae Industrial Estate at Pontypridd, Mid-Glamorgan, for Taff Ely Borough Council.

The buildings will be of steel portal frame construction, supported on stanchion bases, and covered with coloured profile steel sheeting to the roof and sides above dado faced brick walls.

Another contract, worth about £355,000, is for the design and construction of 18 small industrial units on a reclaimed colliery working site at Cilgynydd, near Pontypridd, for Mid-Glamorgan County Council.

Other contracts in South Wales include a vehicle maintenance workshop at Cardiff for the British Transport Docks Board (£88,000), a precast concrete wall at Wentwood Reservoir, Gwent, for the Welsh Water Authority (£23,000) and a garage workshop at the Home Office forensic laboratory in Chepstow, Gwent (£26,000).

● A drilling contract, valued at about £35,000, to ascertain the volume of limestone deposits at a new cement plant in Malaysia has been awarded to Soil Mechanics by Associated Pan Malaysian Cement (APMC), which has recently completed a new £55m cement plant at its existing works at Rawang, near Kuala Lumpur, to produce about 1.2m tons a year.

Welsh road and bridge contracts

ROAD and bridge work contracts worth about £31m have been awarded to A. Monk by the Welsh Office Transport and Highways Group.

The road contract (£2.3m), is for the Pont-y-Penni diversion on the London-Fishguard A40 between St. Clears and Whitland. Apart from 3.7 km of single carriageway trunk road the company is to construct a 59.5 metres long skewed tunnel

roadway bridge, divert the Afon Fenni through a reinforced concrete culvert and construct two other culverts. Consulting engineers are Howard Humphries and Partners.

Monk's other job, worth £1.2m, is the construction of two bridges, each to carry the M27 over a main rail line as well as the A335 north of Southampton. The rail bridge will be 61 metres long and the road bridge 58 metres.

Lancs. schemes go-ahead

TWO major Central Lancashire Development Corporation schemes costing about £2m, the first phase of the East Fulwood District, Distributor Road and North Preston Employment Centre, have been given the go-ahead by the Secretary of State for the Environment. Both schemes are now out to tender.

The new road will run from Watling Street Road, near Carleton Avenue, to join Garstang Road near Lightfoot Lane, North Preston Employ-

ment Centre is intended to provide more jobs in the area through industrial and commercial development. It is situated between the M6 and the line of the new distributor road west of Midgery Lane. Strict environmental control will be exercised over the type of development permitted to preserve the amenities of the area.

Work on the new road is due to start this summer, with completion towards the end of next year.

Rochester Airport hotel

CONTRACTS for the construction of a £2m hotel near Rochester airport, Kent, have been awarded to G. E. Wallis and Sons.

The 106-bedroom hotel is being built for Berkeley Hamilton and work is due to start later this month. Architects are Chapman and Hanson.

Wallis has also gained the £1m plus contract for the first phase of a five-phase office development for the Plant Pro-

tection Division of Imperial Chemical Industries at Fernhill, Surrey.

The Co-operative Retail Society has placed work worth £24m with Wallis in South Wales for a retail shopping complex at Ebbw Vale.

The company is also to build phases one and two of a new comprehensive school at Abergyswg for the Mid-Glamorgan County Council, at a cost of £21m.

NEWS IN BRIEF

● Bison Concrete is erecting a precast concrete frame for an office block, to be named Lomond House, at Livingston, near Edinburgh, for Barratt Scottish properties. The contract is worth £239,250. The frame components are fabricated at Bison's Falkirk works and erected by a Bison team. James Harrison, the main contractor, began work on site in mid-January. The frame is due for completion in May and the finished building in October.

ABOUT 7,000 tonnes of structural steelwork is to be supplied by Octavius Atkinson and Sons to the Central Electricity Generating Board for the 1,200 MW Heysham No. 2 nuclear power station.

The order is worth £81m and the steel will be fabricated at the company's works at Harrogate, Yorks.

The company has also received a £750,000 order for the structural steelwork for a new Hypalon (synthetic rubber)

plant at Maydown Works, Londonderry, Northern Ireland, for Du Pont. About 1,000 tonnes of steelwork is involved.

BOVIS CONSTRUCTION, the managing contractor for the Lloyd's redevelopment site in Leadenhall Street, London EC3, has appointed Costain to undertake sub-structure work there.

Costain's £21m sub-contract calls for the breaking out of existing foundations, excavation, drainage, erection of reinforced concrete retaining walls and some temporary works.

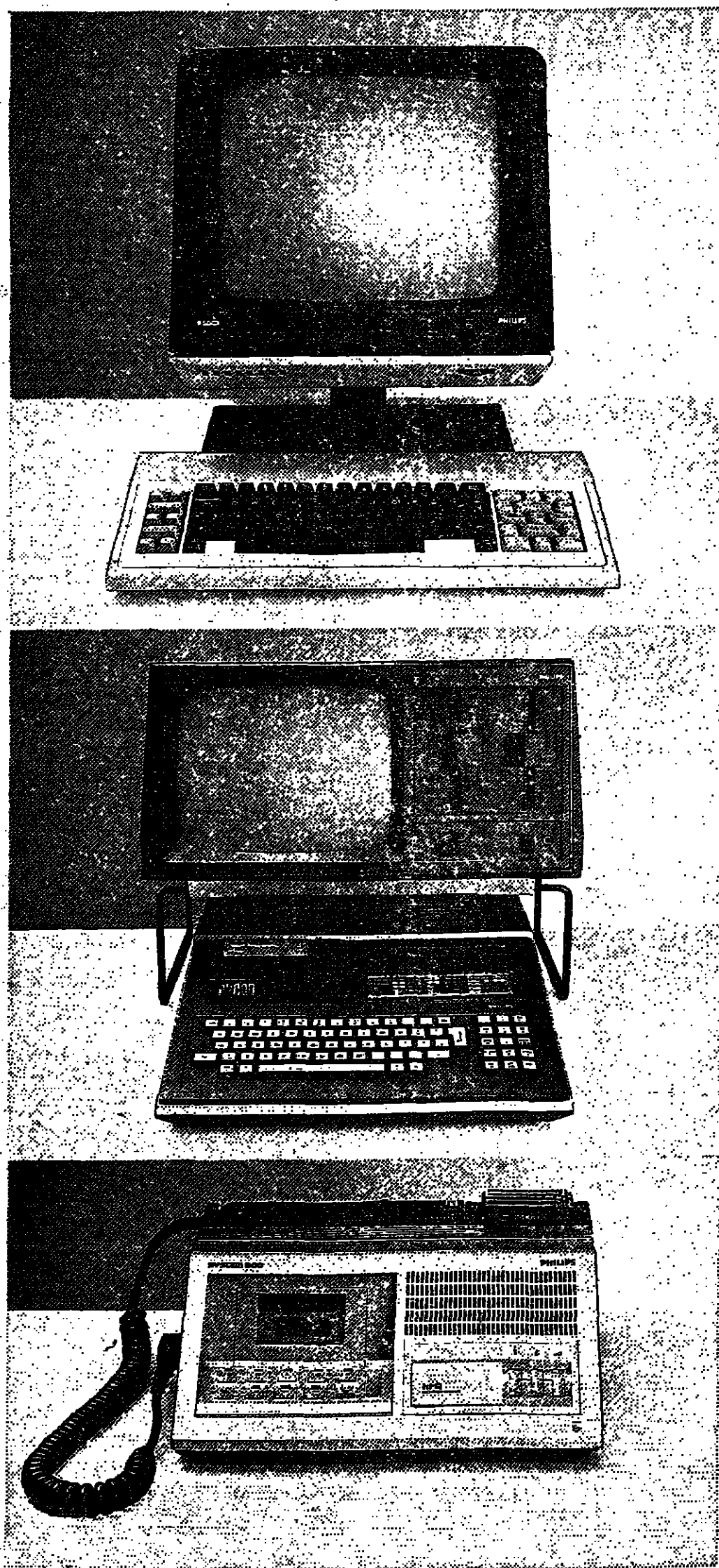
The architect is Richard Rogers and Partners, consulting engineer is Ove Arup and Partners and quantity surveyor is M. D. A. Monk and Dunstone Mahon and Seears.

● Andrews-Weatherfoil (Powell Duffryn Group) has begun work on a £400,000 contract covering the first phase of the Scottish Office extension at Sighthill, Edinburgh, to house its computer services.

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Books, perfume and generators among the clues to export success

BY JAMES McDONALD

The Good Book Guide has 20,000 subscribers, and there are book customers in more than 160 countries.

The expert award to GEC

The Daventry Division of Cummins Engine Company	D
O J B Engineering	A
Davy-Loewy	M
Dowty Mining Equipment	M
F. Drake (Fibres)	P

- _____ diesel engines
- _____ articulated dump trucks/derivatives
- _____ metalworks plant equipment
- _____ mine roof support systems
- _____ polypropylene fibre

Aerospace	
The CAV Fuel Injection Equipment	1
UK Division of Lucas CAV	
Lupofresh	H
Macawber Engineering	B
Kenneth Mackenzie Holdings	H

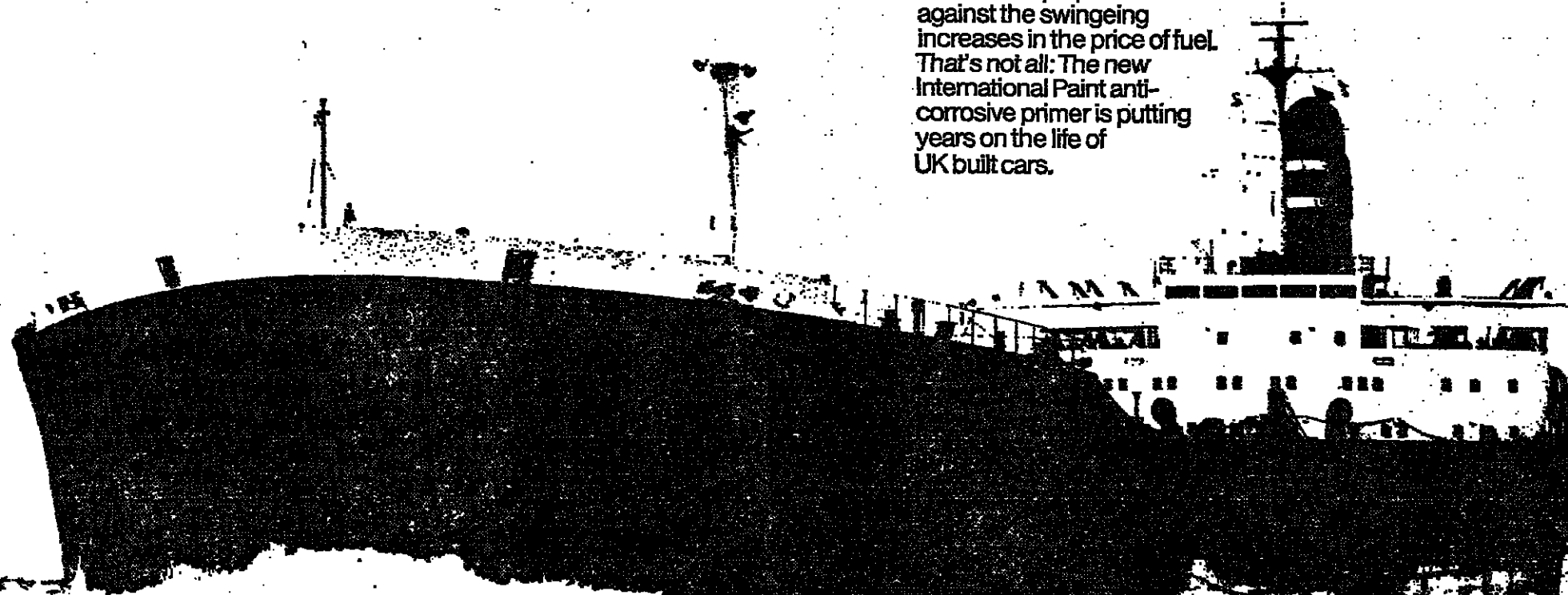
diesel fuel injection equipment
 pumps, hop products
 bulk material handling equipment
 Harris Tweed

Solid State Logic	F
The Magnesia Division of Steetley Minerals	F
Henry Taylor (Tools)	V
Vesuvius Crucible Company	R
Williams Grand Prix Engineering	F

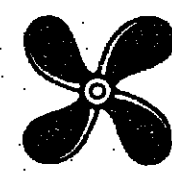
recording consoles, automation systems
diagnosis refractory and chemical grades
woodworking tools for craftsmen
refractories/refractory shapes, crucibles
Formula One racing cars

ACS Engineering	Hydraulic access platforms	Educational Supply Association International	Specialist educational furniture	Malvern Instruments	Particle size instruments
AVX	Ceramic/chip capacitors	Exploration and Production Services (Ventures)	Oil industry services	The Klix Division of Mars	Vending machines, beverages
Weiler Alexander & Co. (Coachbuilders)	Bus/coach bodies	Exproduct	Process heating equipment	Mayer, Newman & Co.	Iron, steel/acrap
Associated British Maltings	Malted barley	Ferraro Avionics	Radio direction-finding equipment	Merritt Syndicates	Lloyd's managing agent/underwriter
The Associated Ocel Company	Lead alkyl compounds	Fitzgerald Lighting	Light fittings, lampholders, plugs	Milton-Lloyd Associates	Perfumery
Aviation Traders (Engineers)	Aircraft and components overhaul/repair	Fort Vale Engineering	Petroleum industry valves	Moore of Comforth	Special steel containers
BIS Software	Computer systems/services	Foster Wheeler Power Products	Land/marine use boilers	L. G. Mouchel and Partners	Consulting engineering services
Bobcock Power	Steam boilers, pressure vessels	E. & W. C. French (Taunton)	Sueded sheepskins	Neutach	Yacht auto-pilots
The Printing Machinery Division of Baker Perkins	Printing presses, numbering machines	GEC Turbine Generators	Power station steam turbines/generators	The Engineering Division of Oxo Polymer Engineering	Plastics moulding machinery
Barrie Knitwear	Fully fashioned knitwear	Garrett Alcareash	Diesel/petrol engine-turbochargers	Park Air Electronics	Radio communications equipment
Berry Bros. & Rudd	Cutty Sark Scotch whisky	The Glenlivet Whisky Company	Malt whisky	Perkins Engine	Diesel engines
Black & Decker	Portable power tools	Gleason Superalloys	Semi-finished superalloys	Pirelli	Tyres, rubber goods
The Chemicals Division of Borg-Warner	Plastics, modifier resins, polymer additives	Guinness Peat Group	Chemicals, commodity dealing/broking, merchandising, international projects/commodity processing	Plessey Semiconductors	Silicon integrated circuits
Bradbury, Wilkinson & Co.	Security document printers, machinery	Haden International	Mechanical/electrical engineering	Preformations (Magnets)	Computer magnets
Brathwaite and Taylor	Book guide magazine and book supply	Houdert & Co.	Aerosol products, foods, soft drinks, export agents	Pye TVT	Television broadcast studio equipment
British Hartford-Fairmont	Glass container industry equipment	The Mond Division of Imperial Chemical Industries	Alkalis, chlorine/fluorine derivatives	Pyrok Holdings	Surface coatings
British Manufacture and Research Company	Defence equipment	The Petrochemicals Division of Imperial Chemical Industries	Petrochemical/heavy organic chemical products	The Transmission Bearings Division of RHP Bearings	Ball roller bearings
The Rectin Division of H. P. Bulmer	Citrus/apple waste powdered pectin	Inatron	Material testing machines/systems	Racal Communications	Radio communications systems
CQC	Sleeping bags, protective clothing, carrying equipment	Inter Commodities	Commodity brokers	Renishaw Electronic	Measuring equipment/machine tool probes
The Resolute Factory of Cam Gears	Car/truck steering gears	International Textile Company	Screen-printed furnishing fabrics	Rowntree Mackintosh	Chocolates, confectionery, biscuits
Gamber International (England)	Circular knitting machines	J C B Service	Sales of earthmoving equipment parts	Seabourne Express	Transport services
Cementation International	Civil engineering, construction	JLG Industries (United Kingdom)	Aerial work platforms	Serico Group	Screen process inks/accessories
Conoco	Petroleum coke/green liquids	Keystone Valve (UK)	Flow-line process equipment	Servicised	PVC/bituminous jointing materials, tapes
Crown House Engineering International	Electric/mechanical engineering	Leptone Broach Company Division of Staveley Machine Tools	Broaching machines/tools	Sheekliffe Engineering	Industrial garboxes
The Davenry Division of Cummins Engine Company	Diesel engines	The Lep Group	Freight forwarding	Shanning International	Hospital equipment
O J S Engineering	Articulated dump trucks/derivatives	The Activation Division of Lucas Aerospace	Activation control systems	Short Brothers	Military equipment, aircraft/aircraft components
Davy-Loewy	Metalworks plant equipment	The CAV Fuel Injection Equipment UK Division of Lucas, CAV	Diesel fuel injection equipment	Silberline	Aluminium pigments for paint
Dowry Mining Equipment	Mine roof support systems	Lupoford	Hops, hop products	Simou-Harding	Effluent treatment equipment
F. Drake (Fibres)	Polypropylene fibre	Maccawber Engineering	Bulk material handling equipment	Solid State Logic	Recording consoles, automation systems
		Kenneth Mackenzie Holdings	Harris Tweed	The Magnesia Division of Stetley Minerals	Magnesia refractory and chemical grades
				Henry Taylor (Tools)	Woodworking tools for craftsmen
				Vesuvius Crucible Company	Refractories/refractory shapes, crucibles
				Williams Grand Prix Engineering	Formula One racing cars

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Her Majesty the Queen has made 92 awards to British companies for export achievement this year and 17 for technological achievement

Small companies prove prowess in technological achievement

BY DAVID FISHLOCK, SCIENCE EDITOR

A RECURRING phrase — it crops up no fewer than seven times in this year's list of 17 Queen's Awards for Technological Achievement — is "this small company..."

The award-winning innovations of these seven range from Ambic's ideas for diagnosing mastitis, a disease which costs the British dairy industry about £50m a year, to Optical Activity's automatic polarimeter for quality control in the food and drug industries.

The Flexible Diamond Tool Company claims to be the smallest recipient this year, if not ever, with a payroll of only six. It was founded in 1977 to exploit the invention of Derek Prowse of a novel way of making a diamond tool, at once flexible, fast-cutting and long-lived.

"Like most successful inventions it's very simple," says Prowse. He takes copper wire mesh and presses it into polypropylene to form a reinforced plastic with copper peaks poking out. He then electroplates the peaks with nickel in a way which allows fine diamond grit to become incorporated into the nodules of nickel. The tool lasts longer because it dissipates heat so well yet is sparing in its needs for diamond, says Prowse. It has been patented worldwide.

Last year, Flexible Diamond Tool decided to strengthen its management by bringing in Mr. John Griffiths-Jones, a manage-

ment consultant, as chairman, on what he calls a "substantial part-time basis," and Mr. Ken Gadsby as managing director.

With Prowse, they have put in about £70,000 of their own money, to which Midland Bank Venture Capital has added £80,000 and the National Research Development Corporation £30,000 for development.

Mr. Griffiths-Jones says his interest lies in "young companies with growth potential," and in "getting in at the point where it really matters."

Hall Automation is a small Watford company which has found a very big sponsor. Its business is industrial robots. It was born when Mr. Douglas Hall carried on a venture into robot development abandoned in the mid-Seventies by Hawker Siddeley Dynamics. Its award is for its HAL System 90, the microprocessor control system behind all of its new robots.

The sponsor Mr. Hall found in 1979 was Marconi, the industrial and military electronics wing of GEC. Today, his team numbers about 40. As managing director of a Marconi subsidiary, he enjoys both the financial support of the parent and access to its two big research centres, at Wembley and Chelmsford. Its latest markets in Britain include the car and earthmoving equipment industries for robots programmed for paint-spraying and arc-welding. For Marconi it is

one of two awards this year, the other being for its high-frequency radio sets "with full digital remote control," for which it has won £50m of orders over the last five years.

Ireland Alloys of Hamilton, Scotland, is another small company — 185 employees — whose award has been for its process technology. It has found ways of reprocessing the costly, high-duty alloys used in aero-engines, to standards of purity acceptable to the engine-makers for re-use in new engines.

Metals

It claims that its re-cycled alloys, rich in such metals as nickel, cobalt and chromium, have saved British imports worth £22m and manufacturing costs amounting to another £13m in the last three years. It is the biggest component of the Ireland Alloys (Holding) group, an unquoted company with subsidiaries in the U.S. About 40 per cent of its shares are held by employees and their families, and the balance by (mainly Scottish) investment institutions.

"I guess we qualify as a small company," said Mr. Peter Hewitt, marketing executive of Micro Focus, a computer software product house with a staff of about 40. It claims to be the first company to win the

award for technological achievement purely for computer software.

The product, CIS COBOL, has "new and advanced technological qualities which confer market leadership," says the citation. Its strength is that it extends the usefulness of the business programming language COBOL to those who want to exploit the latest microprocessor technology. CIS stands for "compact, interactive standard."

Micro Focus was founded in 1976 by Mr. Brian Reynolds, its chairman, and Mr. Paul O'Grady, who now runs the U.S. end of the business. Initially, they financed themselves with advanced payments on research contracts.

In 1978 it was introduced by Barclays Bank to Industrial and Commercial Finance Corporation (ICFC), to raise capital for expansion. Today, about half the employees are engaged on software research and development in Swindon, Wiltshire. "This capital has enabled us to work independently of sales pressure," says Mr. Reynolds.

By "happy coincidence," says Mr. Reynolds, two Micro Focus salesmen — one being Mr. O'Grady — are to receive awards from a U.S. publisher for U.S. sales exceeding \$1m last year. He believes that this shows that the principle of the Queen's Awards — namely, to

encourage UK companies to compete with overseas competitors and not just let UK innovations disappear abroad — really is working.

Better known names, however, still captured the lion's share of the awards for technology. Lucas CAV gained its prize for the Microjector, a miniaturised diesel fuel injector for which it has turned a formidable technical talent loose both on the product and the manufacturing techniques.

A newly-equipped factory at Ipswich, Suffolk using advanced manufacturing techniques, has already turned out 2.5m of these fuel injectors, mostly for the U.S. market. Now, it is building up production in the U.S. itself.

General Motors, its main customer, claims to be rapidly overhauling Volkswagen as the foremost maker of diesel-engined vehicles.

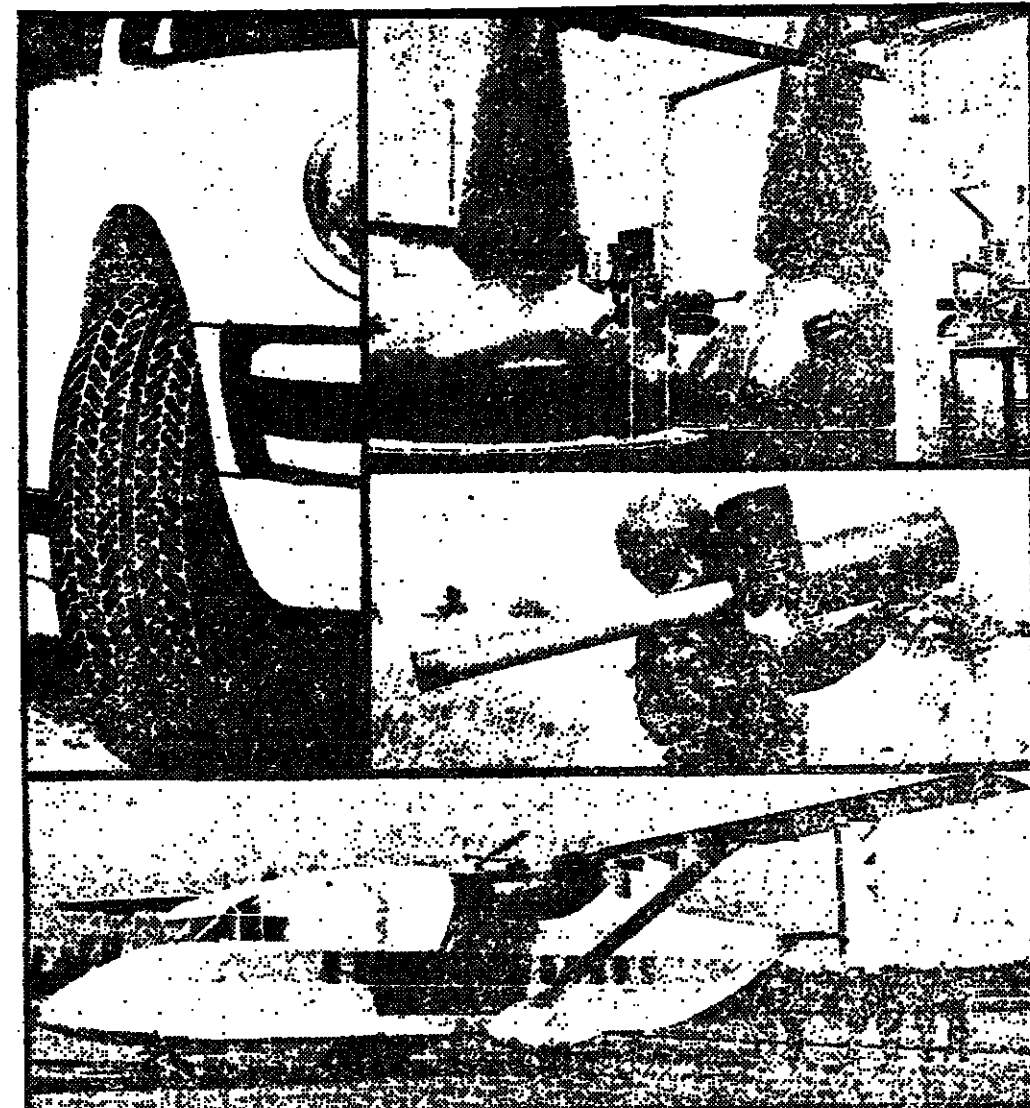
Energy

Froude Engineering, of the Redman Heenan International group, earned its award for its LS range of dynamometers. These are the machines which soak up the energy of engines on test. The LS range includes 10 machines with capacities from 7,000 to 100,000KW.

Mr. Arthur Shillito, managing director, claims it is "one of the most significant advances in engine test technology since Froude introduced the concept of continuous power absorption by hydraulic machines more than a century ago."

The technological achievement of Conder has been around rather longer — a new method of building which "retains all the benefits of traditional individuality but enables projects to be completed in nearly half the time," says the company.

It was developed by Conder in the late-1960s but has seen a big injection of new data in the mid-to-late 1970s. "You can do virtually anything with it that you can do with reinforced



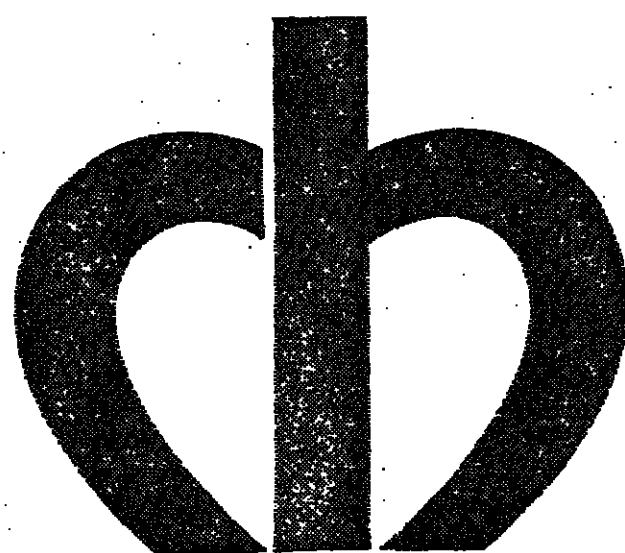
Some products of export award winners. The new steel and nylon belted Pirelli Cinturato P3 radial, which will become the group's "flagship" tyre. (Top Left). Copper stills at the Glenlivet Distillery (Top Right). Shorts' "Blowpipe" — a surface-to-air missile for unit self-defence against close range, low level attack. (Lower right). Shorts Skyvan aircraft (Bottom)

AWARDS FOR TECHNOLOGICAL ACHIEVEMENTS

Ambic Equipment	Detection of clinical mastitis	The CAV Fuel Injection Equipment, UK Division of Lucas CAV	Miniaturised automotive diesel injector
Conder Buildings UK and Conder Group Services of Conder International	Construction of steel-frame buildings	Marconi Communication Systems	Radio communications equipment
Crosfield Electronics	Colour page production automation	Micro Focus	Development of programming language
Datron Electronics	Digital voltmeter	Morris Fittak	Techniques for resin self-colouration
The Flexible Diamond Tool Company	Diamond-face products	Optical Activity	Automatic polarimeter
Froude Engineering	Hydraulic dynamometers	Thorn Consumer Electronics	Domestic television receivers
Hall Automation	Industrial robot control systems	Tube Investments Research Laboratories, The Research Laboratories of The British Aluminium Company, and Superform Metals of Tube Investments	Aluminium alloys
The International Paint Marine Coatings Division of The International Paint Company	Under-water marine coatings	Vero Advanced Products	Machines for printed circuit boards
Ireland Alloys	Alloy recycling		



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Technical Page

EDITED BY ARTHUR BENNETT AND ALAN CANE

Auto-process for blending industry

AN AUTOMATIC processing system developed by TBMA (UK) (0783 57188) for the Silver Paint and Lacquer Co., Batley, Yorks, is capable of being adapted for any industry engaged in the blending of paints and powders. TBMA claims. The system was designed and built in collaboration with Mastermix Engineering and is said to carry out the entire paint-making process from basic materials to the finished product.

The sequence of operations is supervised by one man from a control console incorporating a full mimic display and manual override facilities. All the main processing vessels are mounted on load cells. The initial dispersion of powders is done in 4,500-litre batches with a weighing accuracy of between 0.08 and 0.6 per cent.

The disperser units combine the mixing and dispersion functions in one vessel. This is amenable to automation and gives an efficient performance at lower power consumption, says TBMA. The system is claimed to be capable of producing more than 20m litres of paint a year.

The basic powders for paint production are contained in four silos designed to ensure a free flow. The two smaller silos (80 tonnes capacity) contain titanium oxide. Free flow of the powder is assisted by vibratory cones, air slides and bridge-breaking air pads. The two larger silos (100 tonnes capacity) contain whiting and china clay, free movement again being maintained by flow pads and vibratory discharge cones. Compressed air for the fluidisation equipment is supplied by a vane blower and a turbo-fan.

Each silo discharges, through a maintenance slide valve, into separate screw conveyors. While the four screw conveyors all discharge into a single reversing screw conveyor situated over two dispersers. This is claimed to ensure both a high volume throughput and the flexibility of operation required in paint manufacture. Each disperser is mounted on three load cells and all connections for additive pipes and automatic dust extraction equipment are flexible.

Additives are fed automatically into the dispersers by a metering screw and pneumatic pulsing pumps designed to give a consistently accurate dosage of each constituent.

The paste formulated in the dispersers is taken by positive displacement pumps through filters and then into the two make-up tanks. Materials can be transferred from either disperser to either of the two make-up tanks by means of a pipe and valve system.

The make-up tanks are controlled by single load cells with two pivot points. Further additives, which can be transferred automatically, are contained in bulk storage tanks close to the make-up tanks. A bank of storage vessels, all mounted on load cells, are placed between make-up tanks and final processing. The transfer between make-up tanks and storage being effected by positive displacement pumps. The various grades of paint are drawn off from the storage vessels and transferred to the final processing tanks by metering pumps.

TBMA (UK) is the British marketing subsidiary of the Netherlands company TBMA (Europe).

Fast pipe-bending

Claimed to be more than five times faster in operation than any manual pipe bender now available, an electrically-powered hydraulic bender introduced by Virax UK (0303 69111) is controlled by an on-off switch on the motor housing. The capacity of the bender, Type 2408, is from 3-in to 2 in (or with adaptors up to 4 in) gas pipe depending on the accessories fitted. It is supplied in three forms: with a reinforced cheek, with an open cheek,

mounted on a tripod; with a sliding cheek that simple assembly without tools permits the unit to be quickly made ready for use for any size of pipe or cheek configuration. Safety is maintained by the components locking together automatically as the load is applied, while over-extension of the ram is obviated by a relief valve in the oil circuit. An automatic cut-out for continuous bending operations is soon to be made available.

UK company translates space information

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

REMOTE SENSING sounds a rather frightening title. But a little known British organisation is translating information from Earth satellites into useful maps, charts and tape data. Now, industry, Government departments, academic and scientific organisations are starting to take notice.

The UK National Remote Sensing Centre at the Royal Aircraft Establishment, Farnborough, Hants., collects information pouring down from satellites—U.S., Soviet and British—collates and stores it. For interested customers it provides information on the storage of space data and techniques for processing, analysing and interpreting the information.

The Centre takes radio information or photographs from orbiting satellites, translates them into digital information, which, in turn, can be translated through a computer into maps, charts, magnetic tapes, etc.

Pollution

But far more complex satellite "imagery" is now possible. Remote sensing satellites are used for a wide variety of tasks, and many more such satellites are planned in the 1980s.

This is especially true of the U.S. Space Shuttle—the manned reusable Space Transportation System.

The current series of U.S. Landsat satellites alone provide information that is useful in land surveying; the monitoring of inland and coastal waters for pollution and sedimentation; surveying routes for roads, railways and pipelines; evaluating crop yields and detecting pests and diseases; and surveying for geological purposes, such as detecting new deposits of oil and other minerals.

As the number of remote sensing satellites increases through the decade, so will the volume of available information expand.

Information

It is estimated that by 1985, there will be several billion items of information, or "bits," flowing back to Earth daily.

Much of this will be picked up and used directly by specialist organisations, such as the U.S. National Aeronautics and Space Administration, but there will be much information available for others to use.

The NRSC at Farnborough is intended to be a focal point for the collection and dissemination of this data, on a fee-paying basis, to any kind of customer who likes to buy it.

The Centre has cost nearly £1m to set up, and costs about £1m a year to run, with the latter cost rising as demands on the centre increase.



'Pixels,' from 43 satellite pictures were used to build this high resolution map of the UK and the Severn Estuary

The aim is to cover costs, not to make a profit, so that all users of the facilities will be asked to pay for the cost of the information they need. Costs depend entirely upon how much information is required, and the form in which it is needed.

Photographs

A breakthrough in analysing data from satellites already made by the NRSC is a method called "digital mosaic." This is a means of turning data into photographs with a high degree of accuracy and resolution, and a wide geographical coverage.

It has already been used by the NRSC to produce a high-

resolution map of the UK from over a billion picture elements, or "pixels," derived from 43 separate scenes of the UK (each covering an area 185 km by 185 km). The Landsat satellite used a multi-spectral scanner.

The NRSC says that its technique can be applied to almost any kind of satellite imagery, enabling changes in the landscape to be examined much more accurately than before, thus opening new opportunities for mapping and monitoring land use, especially in the Third World.

The NRSC has just completed a hydrology project in Botswana using this new method, providing more accurate

map information than any previously available, and for some areas providing maps where none existed before.

Images

Another example of the use of "digital mosaic" has been to analyse images of the Bristol Channel, showing that sandbanks have shifted substantially since maps of the area were last revised.

The NRSC's customer list is expected to grow — divided broadly between industry, the Government and academic organisations.

The fact that many oil companies and others are using its services demonstrates that the NRSC is already meeting a demand that must surely expand rapidly in the years ahead.

Delicate touch for fromage

AN AUTOMATIC machine for packing delicate soft cheeses such as Camembert has been developed by the industrial process and systems division of the French company Bertin in collaboration with the food processing machine manufacturer Cetra.

It is claimed to pack 120 cheeses a minute (7,200 an hour) and to carry out three operations in succession: wrapping each cheese in paper, placing the cheese in its box, and the lid on the box. Interchangeable tools permit the handling of cheeses of various shapes, square, round, or oval, and various sizes up to a maximum perimeter of 490 mm and a maximum thickness of 90 mm.



Temporary air control

A TEMPORARY air traffic control system has been introduced by Aluminium Alloy Fabrications (048 625744) as a development of its existing range of airport visual control rooms to meet the needs of civil aviation authorities and airfield operators.

The system, called TATCOF, is an autonomous mobile unit, with its own radio transmitting, receiving and ancillary equipment, power supply and fittings, designed to maintain traffic operational requirements of an airport if the permanent system should be temporarily out of action. AAF also claims that it can be used as an auxiliary to a permanent installation or to permit a new airport to become operational before the permanent system is complete.

It is built to fit into a 20 ft long container, using modular components. A steel platform with a wooden floor and steel members provides vertical and lateral structural support. It required it can be mounted on a flat lorry or trailer. It weighs about six tons fully furnished and equipped.

The company's Alifabs Sonar-view window glass, specially designed for visual control rooms, is fitted as standard. It incorporates a heating element, consisting of fine electric wires fitted within the laminate, to prevent condensation and icing. The radio and other air traffic control equipment can be of any suitable make according to a customer's requirements, or the unit can be supplied simply furnished so that the customer can install the equipment himself.



Swedish motors meet wider needs

A RANGE of Swedish hydraulic motors designed to meet a wide variety of drive requirements has been introduced to the British market by Hagglunds (UK) (0924 272581).

Known as the S series, it comprises 12 standard units which

supplement existing Hagglunds placements from as little as 6 cc up to 1,600 cc, with torque outputs from 5 lb/ft to 1,201 lb/ft.

With the same operating principle as Hagglunds' heavy-duty radial-piston motors, the S series has a special cam-curve

design. Reaction of the motor bearings against the cam produces a tangential force which makes possible full torque when starting, the makers say. It is also claimed to have the advantage of high volumetric and mechanical efficiency and a better low-speed performance than most conventional types

of hydraulic motor, while the shaft design permits easy application to a wide range of drive systems.

The motors are expected to be of special interest to the fishing, mining, quarrying, processing, materials-handling and packaging industries.

Euroboard Silotainer offers extra space

DESIGNED to provide high pack stability at low cost, with up to 11 per cent greater use of storage and transport space, a new range of corrugated fibreboard bulk containers for standard 1,200 mm by 1,000 mm pallets has been introduced by Euroboard (UK) under the

name Series 3 Silotainer.

The increased space usage is made possible by the rectangular format, which is claimed to permit greater content for a given floor area than containers of equal height and octagonal format. This allows reduced heights for given capacities and, with the rectangular base,

permits safer stacking, especially when the containers are stacked more than two high.

To compensate for any loss of rigidity that might be expected in a rectangular corrugated fibreboard bulk container, Euroboard uses stronger grades of board with liners and

wider caliper flutings, which have only recently become available in Britain.

Series 3 Silotainers are also available in wax-impregnated form, which offers increased compression strength, rigidity and performance in wet weather.

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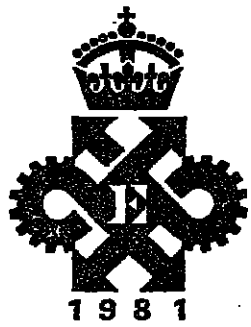
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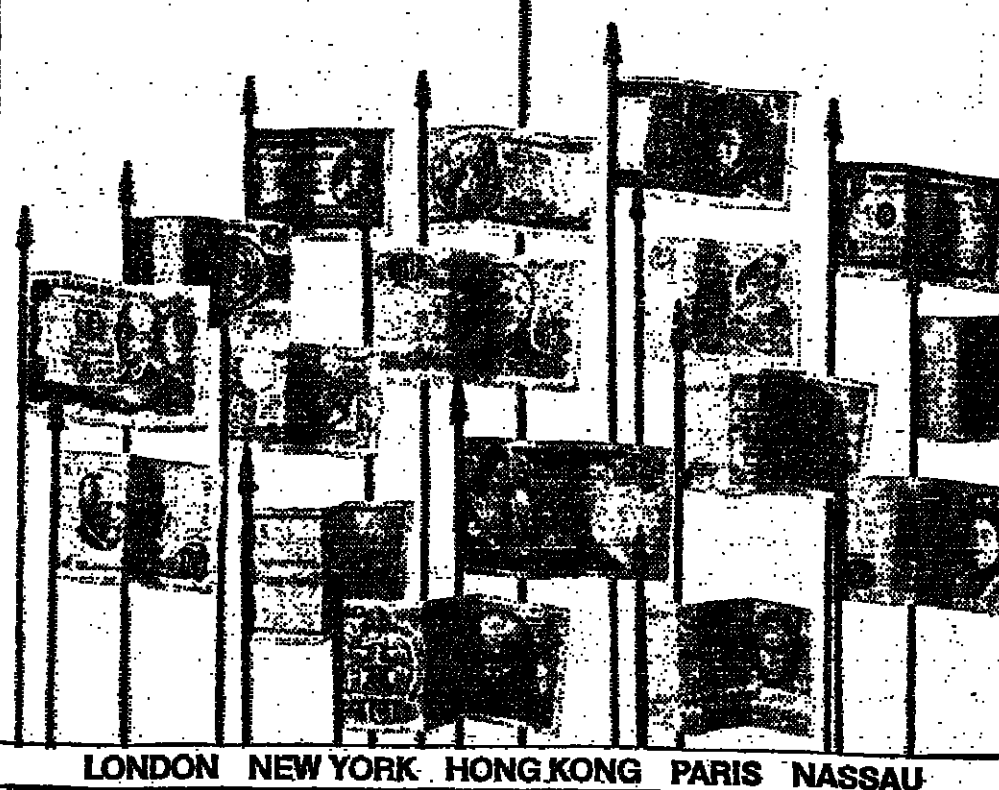
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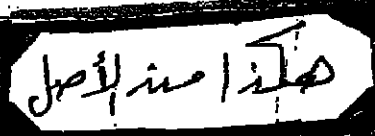
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FINANCIAL TIMES SURVEY

Tuesday April 21 1981

New Jersey

Like many of the older States of the Union New Jersey is having to grapple with the problems of declining traditional industries, urban decay, rising crime and a shaky infrastructure. In this report IAN HARGREAVES of our New York office measures the success so far of its administration and businessmen in coping with this task.



Governor Brendan Byrne (above), now nearing the end of his permitted eight years in office, has been a major force in the reshaping of New Jersey's economy and society

Old giving way to new

NEW JERSEY earned itself the title of "Pathway of the Revolution" over 200 years ago, when the marshy lands east of the Delaware River provided a haven and eventually a springboard for George Washington's rebel army.

In the last decade the State has had to undertake a revolution of a different kind, reshaping its economy from one with extremely heavy dependence on manufacturing industry to the point where today only 36 per cent of its jobs come from that source.

These changes have given the State an unaccustomed resistance to recession and created an economic profile which makes the State average for the U.S. in many important respects.

But it is harder to shake New Jersey's image. Although known to its own citizens as the Garden State, most visitors judge New Jersey by the view from the

New Jersey turnpike, where the vista of chemical plants, rotting piers and obsolete multi-storey factories makes it one of the most dismal drives in the country.

But those who live in the State's pleasant dormitories speak volubly of the pleasures of lakes, mountains and coastline it affords—besides the more obvious benefits of proximity to New York City and Philadelphia. Tourism is New Jersey's second most important industry in terms of jobs.

It is a State then of contrasts. Its citizens are on average among the wealthiest per capita in the U.S. But in cities like Newark and Elizabeth or even in Trenton, the State capital, there is urban poverty as distressing as any in the U.S. It has two of the country's most famous universities—Princeton and Rutgers—and an unequalled wealth of research activity, building on the local heritage of Thomas Edison, inventor of the lightbulb.

Features

But these features of a liberal tradition grate oddly with the State's only very recent acceptance of the concept of State income tax and the presence, until not long ago, of enough political scandal, often associated with the Mafia, to keep a TV show writer in ideas for life.

So although New Jersey is the fourth-smallest State in the Union it is also highly regionalised. It even has a "Home Rule for South Jersey" movement, which the Trenton politicians may scorn but cannot entirely ignore.

These diversities and self-

contradictions are reflected in the State's politics. In seven of the last nine Presidential elections New Jersey has voted for a Republican; in seven out of nine governorship contests, for a Democrat.

The present Governor, Mr. Brendan Byrne, comes from the liberal wing of the Democratic Party, but even though his Party controls the Legislature he has been able to achieve only a limited degree of progressive taxation and even this is considered a breakthrough. Governor Byrne will leave office in January next and over 20 candidates are now locked in combat for primary nominations to succeed him.

The main election issues will probably be taxation—status quo versus a more standardised state-wide property tax, rather than the current parish pump hedgepodge—and environment. Governor Byrne has fought hard to transform the State's image of dirt and pollution, most notably by creating a Pinelands Commission to impose tight control on development in one-fifth of the State. But his opponents say State control of planning is now too great and is weakening business development.

All the candidates will also have to say something about crime, which is growing in New Jersey as in the rest of the country. In some urban areas the situation appears close to being out of control. In Newark, for example, murders were up by 23 per cent last year, rape by 31 per cent and arson by 26.8 per cent; employers say secretaries will not work past 4.30 pm in the winter.

Governor Byrne's response to

this situation has been to press for prison accommodation to deal with the rise in crime and to offer State policemen to hard-pressed cities.

Gimmick

Mr. Kenneth Gibson, the black mayor of Newark, rejected the offer of State troopers as a dangerous gimmick and says the key is to provide more penal facilities and to overhaul the court system. Local frustrations on the issue were evident in recent proposals in the Newark City Council to increase the local sales tax to pay for more policemen, a measure which would have been enormously damaging to local commerce.

"The problems of the cities are contagious," warns Byrne, although he believes progress has been made in some Jersey cities such as New Brunswick.

One major centre which has certainly seen dramatic change under Governor Byrne is Atlantic City, where a decision to legalise gambling has turned the city into an East Coast Las Vegas. Although economic linkages to gambling have so far been disappointing, thousands of jobs have been created and the State has managed quite well the difficult task of regulation—although Mr. Byrne now feels that some of the regulation has gone too far. Less well known, but even more successful, has been the State's backing of the Meadowlands sports complex just across the river from midtown Manhattan.

Another major issue for the next governor will be water supply. A year-long drought, not much alleviated by recent

spring rains, has caused water rationing in large tracts of the State and the situation could be desperate by next winter. Mr. Byrne's \$350m plan for more and better pipelines and pumping facilities is long overdue. The outlook for New Jersey, then, is as diverse as its character.

The urban centres are already feeling the effects of the Reagan squeeze; public transport is nearing a crisis of both cost and quality in some areas; declining city populations and in some cases property values are eroding the tax base.

But New Jersey, which has avoided the fiscal problems of many of its north-eastern neighbours, certainly has the resources of people, skills, and a favourable location with which to go on building itself up in the 1980s.

Immediate prospects hinge on the effectiveness of the Reagan economic programme in stimulating growth without rekindling inflation and on creating conditions in which U.S. industry can raise capital to modernise older facilities—of which New Jersey still has many.

Big field in governorship race

Politics

THIS IS the year when the political weathermen head north from Washington to tap the barometer of New Jersey. The State provides one of only two races for the Governorship this year—the other is Virginia—and as such the results of the contest will be minutely dissected for pro- and anti-Reagan traces.

But at this early stage of the gubernatorial stakes, the biggest problem for both the analysts and the candidates themselves is one of recognition. With more than 20 hopefuls already in the field, most jokes in Trenton are a variation of the one which replaces the "Gone fishing" sign with "Gone to become Governor."

It is the most congested field that anyone can remember, with

several members of the Governor's Cabinet in contention for the Democratic nomination.

Governor Byrne himself is barred from standing in the November election because he has served two four-year terms—the limit allowed an individual under State law.

The rush for the Governorship has been stimulated by a couple of recent developments—a big increase in public funding for candidates and rejection by the State Legislature of a Byrne proposal which would have required run-offs in the primaries until a certain candidate had a minimum percentage of the vote.

On a first-past-the-post basis, contenders reckoned otherwise highly marginal are encouraged to believe that as the roster of candidates swells they can convert a strong local base into

state-wide success in an election which could easily be won with less than 30 per cent of the vote.

So far as the candidates are concerned, there are two main political touchstones: President Reagan, who swept New Jersey last November along with the rest of the country, and Governor Byrne.

Mr. Byrne, a liberal lawyer, was elected from obscurity in a Democratic landslide in 1973, having scored a campaigning windfall when a police tape of a Mafia boss described Byrne as "unbuyable." In a State where political corruption left little untainted in the early 1970s, Byrne thus became New Jersey's "Mr. Clean."

His moral reputation has survived in spite of the extremely tricky task of supervising the start of casino

gambling in New Jersey—the only State besides Nevada where this is permitted—and more or less constant controversy about the alleged underworld connections of this industry.

Byrne's liberalism has been most obvious in his environmental policies, which have declared large tracts of the State under restriction or totally banned to developers, and in his introduction of an income tax.

But the price Byrne paid for success on income tax (today set at a modest 2 to 2.5 per cent) was that he agreed to a series of tight fiscal constraints too which have given his administration an air of fiscal prudence but which have seriously limited room for manoeuvre on social pro-

CONTINUED ON NEXT PAGE

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NEW JERSEY II

Some alarm at Reagan cuts

Economy

GOVERNOR Brendan Byrne, nearing the end of an eight-year period of office, will be remembered as a liberal Democrat who was strongly in favour of central State involvement in issues when deemed necessary, tough anti-pollution laws and a more progressive taxation system. Above all, he is the Governor who introduced State income tax.

But the Governor's fiscal regime — tightly hedged by legal constraints requiring, for example, a balanced State budget and a rigid 5 per cent a year ceiling on increases in local authority expenditures — has fixed his administration with an image of fiscal conservatism.

The advantages of this state of affairs have been considerable. There have been no fiscal crises in New Jersey, as there have in many older urban areas of the northern U.S., the State has retained a top quality bond

rating, which has enabled it to borrow at favourable rates, and there has been a sense of economic stability.

Damaging

The disadvantages, which are now becoming sharply apparent in many communities, are that local authorities, which may have benefited from capped expenditures by becoming more creative in seeking solutions two years ago, are now being forced into what many city mayors feel are deeply damaging cuts. Many cities have had to lay off up to one-third of local employees, including policemen at a time of a rising national crime rate, teachers at a time of falling educational standards and other welfare staff at a time when the average age of the population is increasing and when serious problems persist in urban centres.

"There is no doubt," says Mr. Joseph Frankel, mayor of Eaton township, "that some

places are being forced to cut services which should not be cut," Governor Byrne says it is now time for the legislature to reassess the spending ceilings.

But Governor Byrne has always been out in front of the legislature on taxation systems. He feels that the State's reliance on property taxes for 47 per cent of revenue (New Jersey is second in the nation in the scale of this dependence) is too great, but there is as yet no agreement on a programme for change.

Men like Mayor Kenneth Gibson of Newark, a candidate for Governor, want to see a State-wide property tax which would result in some fiscal redistribution from the suburbs to the inner cities, where the taxation base has been destroyed by falling property values and disinvestment. Currently, local property taxes range from a low of 0.49 per cent in Chester Borough, Morris, to 9.37 per cent in a township inside Union City.

Vigorously

One by-product of this system is that every small community is vigorously angling for a piece of commercial or industrial development in order to ease the residential tax burden—a situation which stimulates an already strong tendency for development to spread with disorganised rapidity away from the major urban centres.

These fiscal uncertainties are compounded by the as yet also uncertain effects of the Reagan Administration's economies, which it is estimated will mean a \$1.2bn cut in funds for residents of the State—although only a modest \$120m in items already budgeted for the current fiscal year. This budget impact appears likely to be mitigated by the unexpected strength in both the national and State economy, which has

helped to increase tax revenues.

Aside from fiscal questions, New Jersey has in the last five years positioned itself economically to follow with remarkably little deviation the average trends in the nation. Following the 1974-75 U.S. recession New Jersey languished with a high unemployment rate well into 1976, but during last year the State was by most indications either matching or slightly outperforming the U.S. average.

The main reasons for this new recession-resistance is the increased proportion of services in the economy and a low—for an industrial State—dependence upon the crisis-stricken motor industry. Many of New Jersey's industries, such as pharmaceuticals and printing, scarcely noticed last year's recession. The State's unemployment rate peaked last year at around 8.5 per cent, compared with a 12 per cent peak in the previous recession and was running at about 7.2 per cent recently. Employment peaked in February 1980 at over 3.4m, following a steady if modest trend of net job gains in the previous four years.

Equally pleasing for the State's planners, price inflation has lagged slightly behind the national average and personal income grew at a fractionally greater rate than the U.S. average. Although national income differentials continue to narrow, New Jersey remains about sixth in per capita income, a trend which is sustained by the continued creation of well-paid business headquarters and research jobs.

The challenges for the State are to build upon this strong high technology research presence (10 per cent of all U.S. patents awarded annually go to residents of New Jersey), to prevent any further net decline in manufacturing and to redress the still significant regional disparities between the relatively poor and underdeveloped southern part of the State, and prosperous northern suburbs and the decaying inner cities.

NEW JERSEY'S TOP EMPLOYERS

	Activity	Jobs
New Jersey Bell	Telecoms	30,045
Prudential Insurance	Insurance	15,239
Bell Laboratories	Communications research	15,116
RCA	Electrical and research	15,000
Supermarkets General	Retailing	14,500
A. T. and T.	Telecoms	14,495
Johnson and Johnson	Pharmaceuticals, etc.	14,000
Western Electric	Electrical products	13,115
Public Service Electric and Gas	Power utility	12,326
Scars Rockback	Retailing	12,000

Source: New Jersey Business Magazine.

Dr. Adam Broner, director of the State's Office of Economic Policy, says the State has "a pretty good chance to follow the pace of the U.S. economy and if we can muster our forces and concentrate upon those high technology industries, we can do even better than that." Dr. Broner also points out that some progress has been made in strengthening some of the city economies (notably Atlantic City, through gambling, and New Brunswick), although the six largest cities in the state (Jersey City, Newark, Trenton, Elizabeth, Camden and Paterson) remain a big problem. Without them New Jersey's economy would be booming.

The underlying imperative for the State is to increase the pace of corporate capital formation and therefore of its investment in plant in the belt of the State where there are still many obsolete facilities. The Reagan programme is designed to do this and it has the strong support of local businessmen.

BASIC STATISTICS

Area:	7,504 sq. miles
Population:	7.36m
Income:	\$71.1bn
Per capita (1979):	\$9,702
Capital: Trenton (pop. 92,124)	
Governor:	Brendan Byrne (Democrat)
Legislature:	Both Houses Democrat-controlled

Steady shift in base helps employment

Industry

NEW JERSEY'S industrial image, formed in the minds of most Americans by the horizon of petrochemical fumes and obsolete multistorey factories

visible from the New Jersey turnpike, could be better. The State tends to be lumped into the category "declining industrial" in most ready generalisations about the economic condition of the U.S.

There is some truth to this picture, given the very slow population growth (just over 2 per cent) of New Jersey in the last decade and the continued exodus of certain kinds of jobs

of which the most recently spectacular was the decision by Ford to close its Mahwah assembly plant.

But the key fact about New Jersey's industrial economy is that its base has steadily shifted from being in 1958 40 per cent composed of manufacturing, as measured by the non-farm State workforce, to about 26 per cent last year. That is the reason why in last year's volatile economy, New Jersey's unemployment rate held slightly below the national average, rather than soaring far above it as it did in the recession of the mid-1970s.

In other words, New Jersey has become an industrial balance something of an average State. It certainly no longer has enough involvement in the highly cyclical motor and steel industries to follow the erratic fortunes of States like Michigan and Ohio.

But this pleasing statistical improvement in New Jersey does not conceal the fact that the State still has some tricky issues to deal with in charting its course for the remainder of this century.

In terms of service industries, which accounted for 600,000 of the State's 3m non-farm jobs last year, the highest growth areas have been in casino

gambling, following the State's decision four years ago to legalise that diversification in Atlantic City, which thus became the Las Vegas of the East Coast almost overnight.

New Jersey has also continued to prosper as a headquarters base for companies (Allied Chemical, Johnson and Johnson, Warner-Lambert, Campbell Soup, Ingersoll-Rand and Prudential are a few of the major companies based in the State), drawing on experience of the financial problems of New York City in the early 1970s when people and corporations fled from high taxes and a high crime rate.

There is more growth in prospect on both these fronts, although it cannot be long before other eastern States, perhaps even New York, decide to take a share in the casino action. That would open up the dangerous possibility of States bidding to get the casino operators in something which would create pressures to dismantle the tight regulatory and policing stance New Jersey has been able to adopt with its newest industry. As for headquarters, New Jersey with its charming countryside and beaches remains a desirable location, although the exodus from New York has long since gone out of fashion.

Potential

Some other service industries, such as financial services, computer software and transport-related activities (through the seaport and Newark International airport) also have potential, although there is strong competition on seaports and Newark airport has not yet even begun to solve its ground transport problems.

Manufacturing, also presents some challenges. The biggest is to halt the decline in manufacturing jobs now that a healthier balance with services has been achieved.

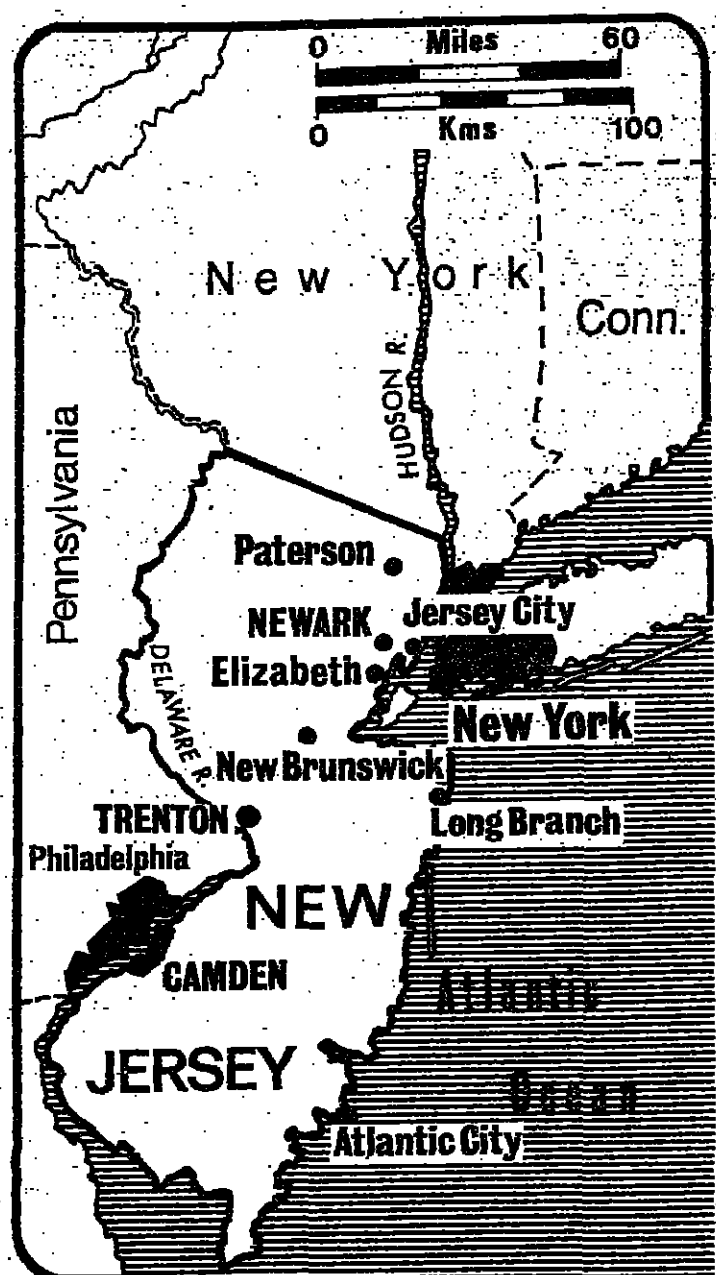
The State's biggest single industry is chemicals, which provided 130,000 jobs last year. The pharmaceutical sector is especially healthy, with the State enjoying expansion on both administrative and manufacturing jobs. The raw chemical business, which colours the skyline of the New Jersey turnpike, faces two main challenges. Can a State which has suffered more than most from pollution (it still has a much higher than average cancer rate) balance its need for an improved environment with a solution to the toxic waste dilemma? Can it solve its water supply problems, which are currently very serious after a dry year?

Electrical machinery has always been a big industry in New Jersey, the State where Thomas Edison developed many of his inventions. But as Japan and to some extent the American South have taken away jobs in TV and consumer electronics assembly, the number of jobs in this industry has steadily declined from 130,000 in 1966 to 92,000 last year. So far, in spite of having within its boundaries two of the greatest electronics research centres in the U.S. (owned by the Bell System and RCA), New Jersey has been short of new jobs in electronics.

A way has to be found of converting a strong educational and research base into more durable manufacturing jobs, as there is no doubt that there is still considerable obsolescence in some traditional industries such as textiles.

One sector which is blooming is the printing and publishing business, which has become a major source of new jobs in the last five years.

Industrialists hope that the Reagan Administration's proposals to assist capital formation will be of special benefit to New Jersey, where many facilities are in grave need of modernisation.



Politics

CONTINUED FROM PREVIOUS PAGE

grammes, especially now that the Reagan spending cuts are starting to be felt.

The closest to a Byrne replica among the candidates is Mr. John Degnan, the Governor's former Attorney-General, who at 36 is bidding to become the State's "youngest" Governor. Mr. Degnan the Byrne Liberalism is bolstered by a strong emphasis on improving law and order in the State's cities (as Attorney-General he sent State troopers into Trenton).

But Degnan is not yet at the top of the long Democrat form card. The higher positions are held by Representative Robert Roe, a Congressman with strong trades union backing who ran second to Byrne in the primary four years ago, and by Representative James Florio, a young Congressman aptly described as "a flaming moderate." Smoother and hardworking, he suffers perhaps from his base in sparsely populated southern New Jersey—although as the only serious candidate from that region, that may not be all the much of a disadvantage.

Main task

Among other Democrat hopefuls are Mayor Thomas Smith of Union City, an old-style Jersey politician backed by one of the few vote-producing party machines which still function in the State. An outsider, but a well-known one, is Mayor Kenneth Gibson of Newark, the only coloured man in the race.

For Democrats the main task is to rebuild from the shattered base of the Democrat image nationally, something which may not be too difficult in state which in the same year that it endorsed Reagan also preferred Senator Edward Kennedy to then President Jimmy Carter in the Democratic primaries. Liberal issues count in Jersey, where pollution has been as bad as in any State anywhere there is a large and self-evident problem of urban deprivation.

For the Republicans the name of the game at this stage is to borrow the President's clothes. Byrne's environmental policies, his backing for continued strict regulation of some key business activities such as insurance, as well as a surprise increase in corporate income tax last year, have convinced many businessmen that Byrne's policies are pro-business.

Front runner

Thus the stream of Republican candidates is heavy with promises to set up more potent industry-luring agencies and to de-regulate the parts of the economy which are held to be restrictive to private enterprise.

The front runner is Mr. Thomas Kean, a former member of the State Assembly with liberal Republican voting record. His voice, however, has become distinctly Reaganesque since the campaign began, although he is certainly capable of moving convincingly back to the centre in a general election—if he gets that far. Mayor Pat Kramer of Paterson sounds a more sustained conservative note and everyone has been impressed by the early campaign efforts of the Party's leading outsider, Mr. Bo Sullivan, a free-spending local businessman with no previous political experience but with powerful family connections within the State's Establishment.

Kramer's campaign has taken a knock from the Legislature's decision to back "open" primaries, which reduces the influence of the political chairman of the State's 21 counties, many of whom Mayor Kramer had successfully wooed.

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A FINANCIAL TIMES SURVEY
U.S. FINANCE & INVESTMENT

The Financial Times is planning to publish a survey on U.S. Finance and Investment. The provisional date and editorial outline are set out below.

Tuesday, 16th June

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NEW JERSEY III

Growth follows end of restraints

Banking

IT MAY seem odd that the most densely populated State in the Union and a State at the heart of the nation's most crowded industrial belt—to say nothing of natural seaboard advantage as an international trading area should not have a single very large bank.

The explanation is simple. Until 1969 New Jersey banks were not allowed to open branches in more than one of the State's 21 counties and there were other limitations on the ability of a bank setting up operations in a community where another bank had its headquarters.

Challenge

These restrictions, lifted in two stages during the 1970s, were not unusual in a country which has cherished preservation of the small local bank. But for New Jersey's banks the limitations were made especially galling by proximity to the giant international banks of New York City. Now, only a decade after a cross-county branching became legal, the New Jersey banks are facing the challenge of the likely Federal legislation of inter-State branching during the 1980s, a change which would involve them in a second round of turbulence.

The 1970s saw the number of banks in the State reduced from over 200 to 133, with 11 merger transactions last year. That does not take account of the rapid shrinking in the number of savings and loan associations in the State as these institutions came under acute financial pressures caused by high interest

rates in the last two years.

The four largest banking groups in the State are the First National State Bank Corporation, with assets of \$2.9bn, based in Newark; Midlantic Bank, also in Newark, with assets of \$3.4bn; Fidelity Union Bancorporation, another Newark group with \$3.25bn in assets; and the Princeton-based United Jersey Banks, with \$2.6bn in assets. The holding company structure of these banks, established in the early 1970s, is typical of the State's more rapidly growing institutions.

Midlantic, for example, began the 1970s with only \$855m in assets.

This growth has been accompanied by a determined diversification of services, especially into the international arena, not only to strengthen links with the increasingly export-minded New Jersey business community but also to create a broad base of banking services which will, executives hope, enable these still rather small banks to meet the arrival of inter-State banking by joining up with other institutions of similar size or smaller, rather than being swallowed up or trampled underfoot by the giants from across the Hudson.

For the men who man New Jersey's larger banks, there is often a personal motive at work here too, as many of them grew up in large New York banks and have no desire to return to that field.

For many of the smaller banks in the State the current emphasis is simply to lobby through their banking association to prevent Congress pressing ahead with proposals on inter-State banking.

About a dozen New Jersey banks currently offer inter-

national services. Midlantic has just opened an office in Hong Kong—a first for a New Jersey bank—having already well-established bases in London and the Cayman Islands, which serve as a Eurodollar trading counter. First National State recently became the first of the State's banks to set up a correspondent link with the Bank of China in Peking.

At this point these activities are modest, accounting for perhaps between 5 and 10 per cent of the total loans of the institutions involved, with an emphasis on backing the international trade activities of local companies—although some banks have made a few cautious first steps into international syndicated lending.

Multinational

So far, there are no foreign banks in New Jersey, because the State does not permit them. But many are active, as are the New York banks themselves, in seeking business with New Jersey's many multinational companies.

For the growing banks of New Jersey, the worst possible development would be a decision by Congress to go for a halfway house on inter-State banking by legalising branching between States within certain regions of the U.S.—so that New Jersey banks, for example, would be able to branch into New York, Pennsylvania and other neighbouring States.

That would give the New Jersey banks the task of competing head-on with New York, while other competitors enjoyed what are felt to be the easier pickings of expansion in the more rapidly growing Sunbelt States.

Foreign Investment

Natural site for entry

NEW JERSEY has always offered a natural site for European investment, especially since in the 1980s the Port of Newark took over from the old New York City piers as the major general cargo seaport of the region.

Typically the investment pattern has been to establish an export-import office, then a sales unit, followed by a warehouse, then perhaps a kit-assembly operation to be followed in a few fully consummated instances by a manufacturing presence.

This process was helped along by soaring office rents in neighbouring Manhattan, which have driven most of the motor importers, for example, across the Hudson in the last decade. Today prime office rents in New York are approaching \$60 a square foot. In New Jersey you can take your pick from \$22 down.

Warehousing is probably still the single most important source of foreign investment in the State, but all kinds of European and Japanese companies are also involved in manufacturing, from the formulation of Worcester Sauce (by a subsidiary of Britain's Imperial Group) in Bergen County to the zipper factory owned by YKK of Japan in Lyndhurst.

The New Jersey Department of Labour and Industry had records of 527 foreign companies from 23 countries at the last count, of which 135 were from West Germany, 91 from the UK, 87 from Japan, 72 from France, and 31 from Switzerland, although the Swiss presence is proportionately greater than this figure suggests because of the size of the chemical and pharmaceutical investments by Swiss companies. Hoffman-La Roche is the only foreign company to make the top 15 list of New Jersey employers, with an in-State payroll of over 7,000.

Concentrated

Not surprisingly, foreign investment has concentrated in suburban New Jersey, avoiding the problem-plagued urban centres. Japanese companies have flocked to the Port Lee district, one short bridge hop to New York, building a Japanese cultural base there. About 20 per cent of all children in the public school system in this riverside community are Japanese. In several cases, however, to the disappointment of local promoters, the bulk of the manufacturing jobs created by the newcomers have gone to lower-cost southern States, leaving only a headquarters type co-ordination and sales job in New Jersey.

Other leading Japanese companies with operations in New Jersey are Sumitomo Machinery, Matsushita, Sharp and Minolta. Among the Europeans are ICI, British Oxygen, Bécham, Fleisler, Ciba-Geigy, Agfa (now Art. Hoechst, BASF and Siemens). The attractions of the State to foreigners are chiefly its proximity to New York, its transport network, which puts nearly one third of the U.S. population within an overnight haul by road, and its pleasant suburban living conditions.

Like a number of other older industrial States New Jersey has also had to wake up in the last five years to the need to promote itself to foreign businessmen and to try to help interested prospective investors. So far, however, New Jersey's package of "incentives" to would-be investors cannot compare with those on offer further south in the U.S., although most studies show that incentive packages are a small consideration in investment decisions.

In terms of labour supply New Jersey possesses a well-balanced, skilled workforce, 23 per cent of which is organised by a trade union, which puts the State in line with the national average. Wages are near the top of the U.S. league, however, although the State's publicity material claims a much higher than average labour productivity rate.

As for taxes, Mr. Robert Woodford, executive director of the New Jersey Business and Industry Association, says a recent surprise increase in corporate income tax (now at an effective 11 per cent) has given the State an unwelcome No. 2 ranking in this tax league. A recent independent study made New Jersey number 42nd worst of 48 States in overall State-local taxes per capita at \$993.06 per head. New York was the worst with \$1,308. These tax figures, however, in part reflect high personal income in the State. Energy costs are also at the high end of the scale.

The other side of the international trade coin—exports—sees New Jersey ranking No. 10 in the nation, with an estimated \$10bn of exports last year, out of a U.S. total of \$340bn. The major items are chemicals, machinery and scrap metal.

Information on investment in New Jersey is available from The Division of Economic Development, Dept. of Labour and Industry, Trenton, New Jersey 08625.

What concerns the Financial Times in this special issue concerns us every day of the week.

New Jersey

It's been our first concern for 169 years now. Since the U.S. banking system was in its infancy. As the Garden State has grown, we've grown with it. Today, we're the largest banking organization in the history of New Jersey.

We're also one of the leading international banks in the country. With correspondent relationships with 300 banks in more than 90 countries.

As a matter of fact, we made some history of our own recently, with the appointment of First National State Bank of New Jersey as correspondent to the Bank of China, Peking, of the Peoples Republic of China—the only bank in New Jersey to be so honored.

Since you're looking through this special section, you may also be looking for a regional banking relationship in the Garden State.

In that case, look for the bank that knows the territory. The bank that can open doors for you. And flex financial muscle on your behalf.

The bank whose first concern is New Jersey.

For further information, call Matthew R. Ciancimino, Senior Vice President, International Banking, at (201) 565-3763. Overseas Telex numbers: ITT 475-4062, RCA 235989. Domestic and foreign Telex numbers, WU 138620.



Our first concern is New Jersey.

First National State Bank of New Jersey • First National State Bank-County • First National State Bank-Edison • First National State Bank of Northwest Jersey • First National State Bank of South Jersey • First National State Bank of West Jersey • Members First National State Bancorporation, 550 Broad Street, Newark, New Jersey 07101 / Members FDIC Equal Opportunity Lenders

Home of the world's No. 1 group

Insurance

THERE IS one special reason why New Jersey is known as a major insurance centre—it is the headquarters of the Prudential Insurance Company, the world's largest insurance organisation with assets of \$59bn.

With 15,500 employees in the State and 8 per cent of its business there, New Jersey is still important to the Pru, even though its home town of Newark has in some respects become an insurance company nightmare, like other rundown urban centres, because of an alarming rate of arson and the still unresolved question of how private and public sectors can co-operate in effectively arresting the urban decay which is wide-spread in the State's six largest cities.

But insurance in New Jersey has also become a controversial business, with the industry fighting a long-running and so far unsuccessful battle for basic changes in the State regulations governing the industry—regu-

lations: the industry says cost it a net loss of well over \$200m on motor insurance last year.

Mr. Don Savage, a vice-president at the New Jersey divisional headquarters of Allstate, which writes a quarter of the motor policies in the State, says these regulations have been directly responsible for driving several smaller insurance companies into bankruptcy and for causing a number of large companies—the most celebrated being Geico—to abandon the State.

Coverage

The problem is the State's so-called "no-fault law" on motor insurance claims, which enables a New Jersey policyholder involved in even a minor accident to sue the other involved party for damages, in addition to claiming coverage of medical and repair costs.

Many States have a version of this law, but they normally restrict damage suits—which the insurance companies end up meeting—to serious injuries and motor accidents involving at least several hundred dollars of repair work.

According to Mr. Robert Talty, a vice-president of the Hanover Insurance Company, insurers in the State paid out about \$490m on contested claims last year, of which \$135m went in lawyers' fees. This, he says, explains why the lawyer lobby, powerful in State politics, is so strenuously opposed to changing the regulations, which are defended in the name of the individual's right of recourse to the courts.

The industry also complains that the State authorities have been slow to grant the increases in premiums needed to cover these swollen costs and with a set of reform laws again bogged down in the State Legislature, the industry is hoping that the successor to Governor Byrne will prove more effective on this issue when a new Administration takes office next January.

With the insurance industry nationwide stuck in a down-cycle in life insurance, suffering from competing high interest returns in other forms of investment, outlook for the New Jersey insurance industry is bleak.

Ageing system faces major crisis

Transport

FOR THE promoter, New Jersey's transportation system is a dream. The State has more roads per square mile than any other, is served by the country's largest seaport and possesses both its own international airport at Newark plus reasonable proximity to the two airports of the New York gateway. Its rail network is the densest in the nation.

But the State's transport infrastructure is also ageing—in some cases seriously so—creating a number of major unknowns. The Reagan Administration's proposal to break up Conrail, the Government-funded freight rail company, would cut rail services in the region gravely. A State budget measure is expected to require a 50 per cent increase in rail commuter fares. Moreover metropolitan New Jersey, along with New York, has one of the lowest levels of road repair in the country.

Centre

At the centre of this maze of problems, with a key role in most of them, is the Port Authority of New York and New Jersey, which runs the seaport, the three airports, one rail commuter system in New Jersey and numerous bridges, tunnels and other transport links.

Mr. Peter Goldmark, the Authority's young executive director, says the Reagan cuts, which will probably increase in severity in 1982 and 1983, again

raise the possibility of a major crisis in the region's infrastructure: "We may be about to find out just how fragile the links in this region really are," he says.

The cutbacks came at a frustrating moment for the Authority, in that both New York City and New Jersey have achieved an unaccustomed economic and fiscal vigour in the last year and with this improvement the region's huge seaport at last has regained the prospect of "modest growth," says Mr. Goldmark.

The port had a good year last year, as a weak dollar and order-hungry manufacturers in the area, especially chemical companies, increased exports, raising the port's general cargo export tonnages by 7.2 per cent to 6.4m tonnes. Imports, however, slid in step with the economy by 16 per cent to 8.8m tonnes. Most important of all, the port slightly increased its share of trade handled in North Atlantic ports to 43 per cent—a sign, the port hopes, that many years of being underpriced and outmarketed by other Atlantic seaboard ports have passed. The port depends upon its immediate 50-mile hinterland for over three-quarters of its business.

Today, says Mr. Goldmark, the old arrogance of the region has gone, destroyed by an exodus of jobs and ebbing of confidence in the 1970s. "We realise we are a region of the country and not its capital and we are scrambling," he says.

Apart from seeking to bolster the port—the latest plan is for a coal export terminal, although

that depends upon Federal decisions on rival plans—the Authority has also entered the business of industrial development, choosing two sites—one in New York, one in New Jersey (at Elizabeth)—to start speculative building of factory space and is hunting for private sector involvement in a project whose eventual value will be \$46.7m.

As for airports, the main New Jersey task has been to attract traffic to Newark rather than the more popular Kennedy and La Guardia airports in New York.

Newark suffers from weak transport links with Manhattan, although this should improve with the opening of a new airport bus terminal in Manhattan in May, and Mr. Goldmark says he is satisfied that Newark's rate of growth is at last very slightly outstripping the other two airports. He is especially excited about the prospects for a new Newark-based airline, People Express, which will offer cut-price flights from the airport and through its marketing efforts help establish the idea of Newark-originated travel.

The emphasis, then, is firmly upon improving existing transport infrastructure, rather than building new (although a new link from the New Jersey turnpike to Newark airport is an exception).

If the State and the Authority can solve their funding and investment problems, the region will preserve what is in essence by far the most sophisticated transportation network in the U.S.

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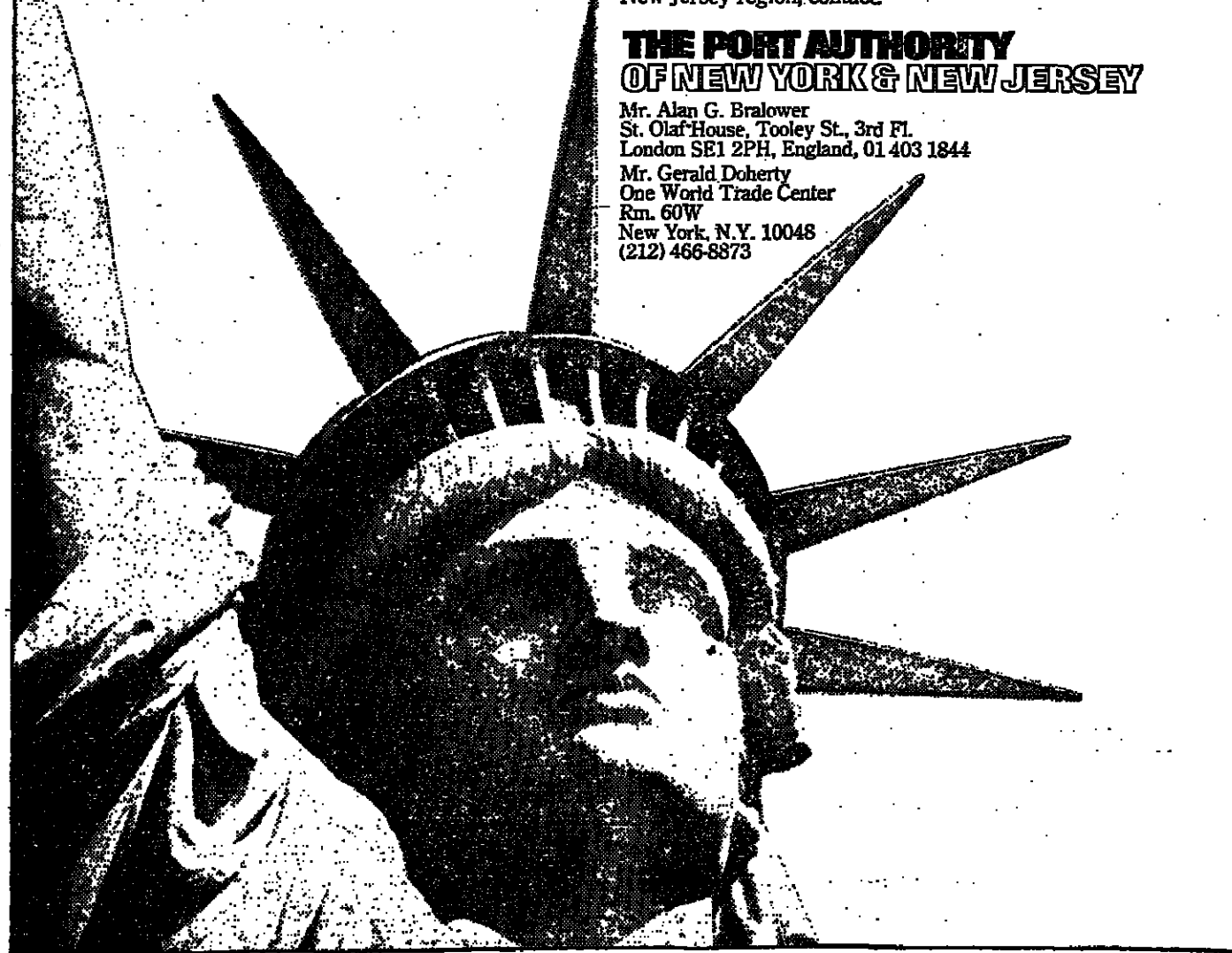
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One World Trade Center
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New York, N.Y. 10048
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CONTRACTS AND TENDERS

International bidding: Two sugar plants (Chile).

Industria Azucarera Nacional S.A. IANSA (National Sugar Industry) announces to investors that has put up for international bidding two sugar beet plants located in the southern part of the country.

The first one is in Curico - 200 kilometers south of Santiago, i.e., 7th region. The second one is in Nuble, 8th region, 400 kilometers south of Santiago.

Natural or legal persons—either Chilean or foreign—may participate according to the specifications.

BIDDING CONDITIONS AND COMPLETE INFORMATION

Bidding conditions and the annexed inventories with the description of the assets to be sold, technical records and a complete feasibility study of Curico and Nuble plants recently prepared by and expert advisory bureau, are at the disposal of interested parties.

Bidding conditions cost US\$ 250 - in national currency - for each plant, and may be withdrawn beginning at the following addresses:

United States: Corfo, One World Trade Center, Suite 5151, New York.

Germany: 2.000 Hamburg 1, Chile Hans B, IV Etage Fischerwiese 1.

England: Charge D'Affaires, 12 Devonshire Street London Wm 2 - DS.

Italy: Via Nazionale 54-2p, Roma.

Deadline offer presenting: May 12th, 1981.

Date for bidding adjudging: May 22th, 1981.

Date for plants delivery: During September 1981.

ASSETS TO BE SOLD

- Lands and factory facilities, warehouses and offices including the whole Curico- and Nuble plants. The Curico Plant has the necessary equipment for refining raw sugar.
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- Bidding also includes the transfer of the dwelling houses placed at the Nuble plant lands.

REMARKS

Any remarks interested parties may pose or for further information please contact the above mentioned offices, or at IANSA offices, 36 Bustamante Avenue, Santiago-Chile.



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COUNTRY ROADS BOARD THE HIGHWAY AUTHORITY FOR THE STATE OF VICTORIA AUSTRALIA

WEST GATE FREEWAY PROJECT SOUTH MELBOURNE SECTION

PRE-REGISTRATION OF CONTRACTORS FOR CONSTRUCTION OF ELEVATED CARRIAGEWAYS

Project Description

The West Gate Freeway will be Melbourne's major eastern approach road to the West Gate Bridge and will be constructed from Graham Street, Port Melbourne to Grant Street, South Melbourne, crossing a number of major thoroughfares with heavy vehicular and tram traffic, passenger rail lines and a railway goods yard.

The elevated section of the freeway—from west of Johnson Street to east of Kings Way—will consist of two parallel bridges, each 1.85 km long, with associated structures carrying entry and exit ramps at Johnson Street and at Kings Way. Separate contracts are being awarded for the construction of the pile foundations, approach structures and the elevated carriageways. The contract for the elevated carriageways for which pre-registration is now being invited includes the construction of the superstructure, pile caps and pier shafts. Work on foundation contracts and approach structure contracts will be in progress at the same time as the contract for the elevated carriageways.

The estimated value of the work in this contract for construction of the elevated carriageways is in the order of \$48,000,000.

Contract Description

The superstructures comprise post-tensioned box girders, designed for construction by the balanced cantilever technique using match-cast concrete segments placed by overhead erection equipment.

It is proposed that the contract will be on a Schedule of Rates basis and will include the following:

1. Supply of materials and fabrication of overhead erection equipment.
2. Supply of materials, manufacture and installation of segment casting cells.
3. Establishment of a precasting factory to manufacture the segments.
4. Construction of pile caps and pier shafts.
5. Supply and manufacture of match-cast concrete segments, and erection of segments by balanced cantilever methods, including provision of temporary and permanent post-tensioning and temporary supports.
6. Installation of all bearings for the box girder superstructure.
7. Supply and erection of precast concrete parapets and steel railing.
8. Supply and installation of deck expansion joints.
9. Installation of certain services (such as fire hydrants and water mains) within the superstructure and to nominated connection points off the superstructure.

Bridge Works Not In Contract

The following works are being awarded by separate contract(s) and will not be included in this contract:

1. Pile Foundations.
2. Approach Structures.
3. Supply of Bearings.
4. Supply and erection of lamp standards, sign structures and under-structure lighting.
5. Asphalt deck surfacing.

Brochure and Application Forms

A brochure describing the work in more detail and application forms for registration as a Tenderer are available to prospective Tenderers on request in writing or by fax to:

The Secretary
Country Roads Board
60 Denmark Street
Kew, Victoria, 3101
AUSTRALIA
Telex 31650

Contractors with substantial experience in the class of work proposed and who are interested in tendering are invited to apply for registration.

Completed application forms shall reach The Secretary at the above address on or before 3.00 pm on 12 July 1981.

Invitation to Tender

It is the intention of the Board to register suitable applicants who, by individual letter, will be invited to tender for the work in accordance with the Tender Documents.

It is expected that an invitation to tender will be sent to registered applicants in September 1981 with a tender period of twelve (12) weeks.

Enquiries

All enquiries regarding the application for pre-registration should be made to:

The Resident Engineer - Bridge Works
Country Roads Board Project Office
28-40 Moray Street
South Melbourne, Victoria, 3205
AUSTRALIA
Telex 31650 Telephone No. (03) 889 6844

TENDERS FOR CONTRACTS TO BE FINANCED BY THE WORLD BANK (LOAN No. 14-9-YU) SECOND POWER TRANSMISSION PROJECT OF YUGOSLAVIA

ZAJEDNICA JUGOSLOVENSKE ELEKTROPRIVREDE (JUGEL)
(UNION OF YUGOSLAV ELECTRIC POWER INDUSTRY)
Co-ordinating Committee, Balkanska 13-15
11000 Belgrade, Yugoslavia

ZAJEDNICA JUGOSLOVENSKE ELEKTROPRIVREDE (JUGEL)
(UNION OF YUGOSLAV ELECTRIC POWER INDUSTRY)
Co-ordinating Committee, Balkanska 13-15
11000 Belgrade, Yugoslavia

Invites Tenders for the following Contracts to be financed by the World Bank (restricted to the World Bank Member Countries and Switzerland):

TENDER No. 9A—EARTHING CONDUCTORS

524 km of Earthing Conductors.

TENDER No. 12 — TOOLS, INSTRUMENTS AND MAINTENANCE EQUIPMENT FOR TRANSMISSION FACILITIES

- A—Tools and Maintenance Equipment—55 Different Items.
- B—Mobile Generating Sets for Power Supply—2 Different Items.
- C—Instruments, Measuring and Testing Equipment—89 Different Items.
- D—Cross Country Passenger Vehicles, Multipurpose Cross Country Vehicles and Self-Propelled Equipment—10 Different Items.
- E—Mobile Cranes—1 Item.
- F—Transformer Oil Treatment Equipment—4 Different Items.
- G—Mobile Radio Stations—4 Different Items.
- H—Miscellaneous Equipment—18 Different Items.

Tender Documents can be obtained from May 4, 1981 on payment of US\$100 each for Tender 9A and Tender 12 to Account No. 25730-421-10-2-378 of Zajednica Jugoslovenske Elektroprivrede at JUGOBANK Osnovna Banka, Belgrade, stating "For The Second Power Transmission Project." This payment will not be refunded.

Tenders will be received at the above address until 12.00 hours on Wednesday, July 1, 1981, when they will be publicly opened and read. Tenderers received after the time of Tender opening will be returned unopened.

COMPANY NOTICES

Arab-Malaysian Development Bank
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Order may now be lodged with them
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accompanied by an appropriate inland
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per Unit ... £0.169153
25 per cent German Tax ... £0.042283
United Kingdom Income Tax ... £0.025870
at 15 per cent on gross
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Services, 5th Floor, Drummers Gardens,
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special forms obtainable from that Office.
United Kingdom Banks and Members
of the Stock Exchange should mark pay-
ment of the dividend in Space No. 23
on Tuesday 28th April 1981 at 10.30
a.m. in the Bank's Certificate.
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special form and present this at the above
address together with the certificates for
marking by the National Westminster
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a.m. to be followed at 10.45 a.m. by
General Meetings of the Creditors for
the purpose of receiving an account of
the Liquidator's Acts and Dealings and
of the conduct of the Winding-up to
date.
Dated this 10th day of April 1981.
P. W. J. HARTIGAN, Liquidator.

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NOTICE IS HEREBY GIVEN pursuant to
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that a MEETING of the creditors of the
above-named Company will be held at
the offices of Leonard Curtis & Co.
situated at 3/4 Berners Street, London
W1A 2BA on Friday the 24th day of
April 1981 at 10.30 o'clock in the fore-
noon, for the purposes provided for in
Sections 294 and 295.
Dated this 10th day of April 1981.
J. E. MORRIS, Director.

PUBLIC NOTICES

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COUNCIL announce that the interest
rate on their Variable Rate Redeemable
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1981-21st October 1981 is 11 1/2%
being equal to 1 1/2% per annum above
the average six month sterling deposit
rate offered on or about 10.06 am on
the 16th April 1981.

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£14.50 bills issued 15th April, 1981 due
15th July, 1981 at 11 1/2%. Total un-
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INSIGHT INTO JAPANESE MANAGEMENT



Dick Wilson,
author of the series

No fewer than 350 Japanese
companies now operate in
Britain, 25 of them in manu-
facturing. It is at last possible to
talk about a Japanese business
presence here.

The average British business-
man knows very little about
these companies, their tradi-
tions and history, their manage-
ment techniques, marketing
strategies, personalities and
their opinions about their
British hosts — as workers,
professional consultants, co-
managers and those engaged in
government.

This is a pity because the
Japanese presence is controver-
sial. Some see it as re-inforcing
the primacy of Japanese pro-
ducts in a "soft" market, and
are strengthened in their pro-
tectionism.

Others see such investment,
however, as a way of creating
more jobs and sharing both
technical and managerial know-
how. At least we can now see on
our soil how Japanese enter-
prises work, and in which ways
they differ from comparable
British enterprises.

Dick Wilson is an indepen-
dent journalist who has special-
ised for more than twenty years

in East Asian affairs. A former
staff writer on the *Financial
Times*, he is also a former
Editor of the *Far Eastern
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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

How a multinational masters the currency markets

David Marsh examines ICI's money-making foreign exchange operations

FOR Imperial Chemical Industries, Britain's biggest manufacturing company, the business of juggling money on the foreign exchanges lately appears to have become more profitable than making and selling chemicals.

Hard-hit by the recession and the strong pound, ICI ran a loss during the second half of 1980, and in February announced its first dividend reduction since 1938.

On the treasury side, though, business is booming. In an object lesson to other companies on how to make use of the freedom and flexibility brought by the ending of exchange controls in October 1979, ICI has been able to make considerable savings by putting its currency dealings on to a new footing during the last 18 months.

It has benefited in particular from a reduction in its borrowing costs — an especially valuable achievement since ICI is now a net borrower, in contrast to its healthy liquidity position of a few years ago.

The men in charge of the policy-side of ICI's money management are Alan Clements, ICI's finance director, and Archie Donaldson, one of the

two deputy treasurers. Their job is one of financial fine-tuning: to keep a close watch on the worldwide currency exposure which results from the international trading and borrowing operations of ICI and its international subsidiaries, and to make sure it is adjusted continuously at the centre to achieve maximum benefit from fluctuations on swirling currency and credit markets.

Donaldson estimates that the company's foreign exchange trading activity has doubled or trebled since the ending of controls. But ICI stresses that no amount of dealing expertise can compensate for losses in its export-business caused by a level of sterling that has looked fundamentally over-valued.

Profitable use of the markets can create considerable savings at the margin, however. Apart from a reduction of administrative cost previously associated with exchange controls—form-filling and so on—there have been benefits in two principal areas.

In addition to its customary use of the spot markets, ICI has been able to lower the cost of

its outstanding loans by using the forward foreign exchange markets to shift borrowing smoothly and flexibly into currencies with the lowest interest rates.

And it has made savings on import and export transactions by covering the forward markets in order to "lock up" future payments and purchases at relatively favourable, pre-determined rates of exchange against sterling.

The ending of exchange controls allowed UK companies and individuals complete freedom to hold, borrow and lend foreign currencies both in Britain and abroad. Crucially, it gave British residents unlimited access to the forward foreign exchange markets—in many corporate treasuries, still a twilight world.

Many companies' initial reaction to the move was to repay loans denominated in foreign currencies which had been taken out during the mid-1970s. These had been increasingly expensive to service because of the weakening of the pound, but repayment using sterling finance was forbidden by the Bank of England with the renewal of

controls. A clutch of corporate treasurers is now cursing itself for having got its timing wrong. In complete contrast to all the forecasts, sterling of course strengthened sharply in the 12 months following the ending of controls. Companies would have made profits both from lower interest rates and from the capital depreciation of the loan by staying in formerly "hard" currencies like the D-Mark and Swiss franc.

ICI, on the other hand, seems to have been wise both before and after the event. It has kept its foreign currency borrowing programme going, mainly because of the height of sterling interest rates but also, as Donaldson says, "to underline our policy that it is right to borrow currencies."

The result has been much lower borrowing costs compared with the expense of sterling finance.



The company has traditionally been a big borrower of foreign currencies.

During the palmy days of the mid-1970s, when ICI enjoyed net liquidity of £500m to £600m, it was prohibited by exchange controls from using its spare sterling funds to invest abroad. This led to a big build-up of foreign borrowings in U.S. dollars, D-marks, Swiss francs and Australian dollars to finance overseas investments.

The currency breakdown of ICI's loan portfolio is markedly out of line with the asset side of the company's balance sheet. Whereas 60 per cent of its assets are in the UK, only about £200m to £300m out of its total

loans of £1.3bn is in sterling. But at a time of high sterling interest rates, this imbalance can only be good news.

Clements' prize borrowing achievement of the past few years was the SwFr £20m 10-year loan at the "fantastically low" rate of 3 1/2 per cent raised on the Swiss capital market in January 1979, nine months before the ending of UK exchange controls.

This was raised partly to refinance a previous Swiss franc borrowing of SwFr 160m.

ICI tapped the market when Swiss franc interest rates had just about plumbed their depths—since when capital market rates in Zurich have risen to about 7 per cent. As an added bonus, the value of the liability in sterling terms has fallen sharply as the pound has risen strongly.

Of course, much could happen on the exchange markets to wipe out this gain in the eight years remaining before the loan has to be repaid.

The company's other medium term borrowings during the last few years comprise two multi-currency floating rate loans of \$300m and \$250m agreed with international banks in 1978 and 1979, together with a \$100m public bond issue in the U.S. in April 1980.

The two multi-currency loans are credits denominated in dollars which can be drawn down in the currency of the borrower's option at three or six monthly intervals. The interest rate is set at the same time according to the currency the borrower chooses.

Underlining the company's financial expertise, the loans were managed by ICI itself, rather than being syndicated by the banks. This saved the company the normal banking fees. The \$100m public bond issue



Archie Donaldson (left) and Alan Clements: in charge of one of ICI's few profitable businesses

was at 11 per cent — "a moon-shot opportunity," enthuses Clements. The U.S. capital market is currently groaning under the weight of government borrowing and rates would now be in the region of 14 per cent for a borrower of ICI's status.

Clements would like to borrow more medium term D-Marks—ICI's last fixed rate DM borrowing was in 1977. But with the West Germans now hit by a huge current account deficit and mounting capital outflows, the Frankfurt bond market has lately not been the easiest in which to raise funds, and is effectively closed to corporate names.

ICI would also welcome a reopening of the corporate debenture market in the UK, and would be near the top of the list of companies wanting to borrow sterling.

Donaldson thinks that the opportunity is unlikely to come about. "It looks as though the Government will be raising a lot. Foreign governments will also be borrowing fixed rate money through sterling issues. There will not be much room for corporate names."

In contrast with the lack of activity in long-term markets, ICI's short term borrowing on the U.S. commercial paper market have, however, increased sharply. Through the medium of its finance company subsidiary, which handles centrally ICI Finance, the com-

pany now has around \$400m of commercial paper in the market. Borrowings are normally for around 90 days, at interest rates of up to 1 percentage point below equivalent rates on the Eurodollar market.

Despite its obvious expertise in currency management, ICI "is not frightened to learn from the banks," says Archie Donaldson. This is one of the reasons why a foreign exchange specialist from the Bank of America will be joining the treasury team on a year's secondment from the summer. In return, the bank should gain a valuable insight into an industrial corporation's approach to a business of central concern to them both.

Hedging their bets

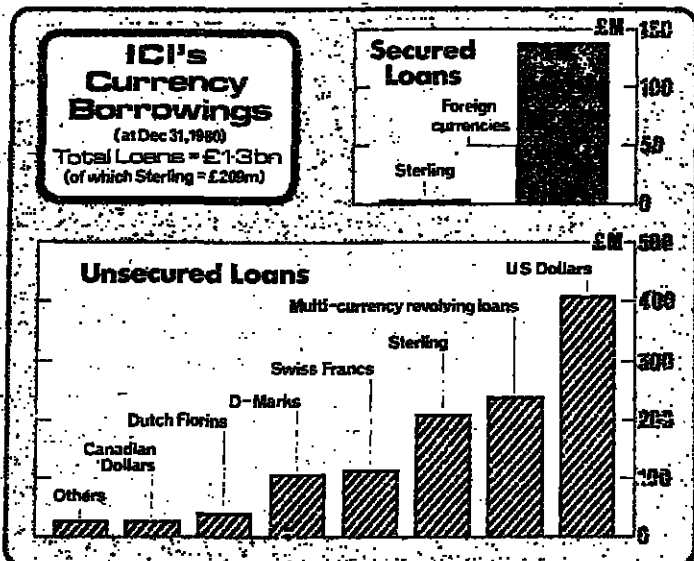
In a small room in ICI's headquarters in London's Millbank sit "Archie's boys" as his four foreign exchange dealers (including one woman) are familiarly known.

Reporting to Archie Donaldson, one of ICI's two deputy treasurers, they are entrusted with the nerve-racking task of managing the group's extensive foreign exchange exposure.

For them to do this, the element of ICI's assets and liabilities which can effectively be controlled on a day-to-day basis has to be pooled together.

This amounts to a combination of ICI's multi-currency borrowings (which are effectively short-term as the interest rate and currency is reset every three or six months), its commercial paper debt and other short-term borrowings under overdrafts and bank acceptance credits. From this is subtracted its short-term liquidity assets at which is now invested on the relatively high-yielding Eurosterling market now that controls on access to this sector have ended. The result is a net borrowed position which lately has worked out to the equivalent of just over £200m.

This is where "Archie's boys" come in. They keep a continuous watch on foreign exchange and interest rates to



determine the most beneficial currency breakdown of the company's overall borrowing.

If, for instance, ICI has drawn down dollars last week for a three-month slice of one of its multi-currency loans, but decides today that dollar finance is looking rather expensive compared with the equivalent cost of a DM loan, it can switch its exposure into D-marks through just one phone call to a bank. It does this by selling the West German currency forward and buying dollars. The future

date used on the forward exchange market is normally one month ahead.

To take advantage of daily rate movements, the company adjusts its overall position through a whole series of these forward foreign exchange contracts. Before exchange controls were ended, company treasurers could use the forward markets only to cover transactions where a company had a contractual obligation to make or receive payments. Now the market can be used without restriction.

ICI also makes use of the hedging facilities of the forward market. Clements explains that the company builds up a composite picture of amounts to be received and paid in different currencies during future months.

If it predicts, for instance, that it has a balance of dollar income on a certain date, it can remove the uncertainty of future sterling/dollar rate movements by translating a certain portion of that income into pounds, using the appropriate forward market transaction. ICI also uses the markets in the opposite direction, for instance to buy dollars ahead to cover future oil purchases.

As Clements makes clear, he also has "the right to go into the market uncovered." If ICI has dollars accruing in six months' time, but feels that a fall in sterling against the dollar during that period will produce a more favourable rate than the one currently quoted on the forward market—more pounds for every dollar payment, in other words, then the company would deliberately refrain from making the forward transaction.



For instance, ICI currently believes the pound is more likely to fall against the dollar than against any other currency so Donaldson says he would at present cover only about 30 per cent of the dollar income due beyond about three or six months.

Forward hedging possibilities in London will be widened further when the financial futures market in currencies and interest rate contracts gets going, probably next year. ICI doubts if it will use the foreign exchange contracts "our sums of money are too large"—but is "looking closely" at using interest rate futures.

ICI concedes that it is in some ways acting rather like a bank, but there are no Bank of England regulations covering the size and frequency of its open positions in foreign exchange trading. Clements stresses that natural open positions can arise out of the company's trading activities—for instance when it takes a decision not to cover payments and outgoings on the forward exchanges.

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THE ARTS

Covent Garden

Lohengrin

by RONALD CRICHTON

The revival of *Lohengrin* on Thursday brought a number of singers new to Elijah Moshinsky's production, some of them also new to Covent Garden. Among the latter was the East German tenor Peter Jürgen Schmidt, making his British debut in the title-role. At his best, in quiet conversational exchanges and in the third act duet with Elsa, Mr. Schmidt sang musically and intelligently. He looked a more likely knight of the Grail than many heroic tenors. But the voice is not yet a wholly reliable or pleasing instrument. The occasion appeared to overawe the singer to the point of hurrying, hardening or going off pitch in the big moments.

Heather Harper was singing Elsa for the first time in this house. She has excelled there in roles combining sensitivity and patience—Ellen Orford in *Peter Grimes*, or Nadia in *The Ice Break*. But this artist, so superbly confident on the concert platform, is not a "natural" in the opera house. Elsa is a complicated case. The almost total absence in this production of practicable props enforces a kind of plasticine not altogether in Miss Harper's line, and the cream-bun hair-style does not help. Also new to Covent Garden was the Frankfurt bass Manfred Schenk. His forward, keen-toned made King Heinrich completely antedated. During the first act, owing to late arrival, I watched on closed-circuit TV, his was the only personality to cut through the

greyness of sight and sound. The Ortrud and Telramund, Eva Randova and Donald McIntyre, remain the same, like-wise Jonathan Summers as the Herald. Miss Randova, with her tightly-knit tones, sure but not aggressive attack, and fine features at once serene and deeply troubled, is a valuable artist (surely a potential *Geschtwin* in *Lulu*?), but for long periods on Thursday her words were unintelligible. Edward Downes conducted. He knows how to propel firmly but unobtrusively a score that can easily bog down, but he did not on this occasion unfailingly capture the blue-and-silver magic of a work that affected its early admirers almost as 'potentially *Pelléas* was to do 50 years on.

The production still for the most part looks well in John Napier's white box, imaginatively lit by David Hersey. The style seemed novel at the time but was really, one suspects, a late flicker from the worlds of Brecht and Wieland Wagner. In the very next year—1978—the "economical" style was overtaken by Everding and Fuchs's near-naturalistic *Lohengrin* in Munich. At Covent Garden the second act brings the best and the worst. The twilight scene is genuinely poetic—then follow absurd evolutions for the bridal procession that has nowhere to process to. And in this act there is too much reliance on portable works of art—moments one seems to be watching the assembling of a Council of Europe exhibition.



Heather Harper and Peter Jürgen Schmidt

WNO plans for 1981/82

Brian McMaster, general administrator of Welsh National Opera, announcing the company's plans for next season, has disclosed that WNO will end this year with a deficit of £75,000. Unless the Arts Council grant is increased, the company will have accumulated a deficit of £200,000 by the end of next season.

One major new production, of Wagner's *Parsifal*, has been postponed for a year, while all possible cuts in the number of performances and scope of the repertoire have already been made.

In place of *Parsifal* there will

be a production of *The Bartered Bride* by the West German stage director Rudolf Noelle.

Fidelio, directed by Harry Kupfer, and *I Puritani*, directed by Andrei Serban, will be presented jointly with Netherlands Opera, while *Katya Kabanova*, the fourth opera in the Janacek cycle, in co-production with Scottish Opera, will be directed by David Pountney. *La forza del destino* directed by Joachim Herz, and sung in a new translation by Andrew Porter, will be sponsored by Amoco.

ELIZABETH FORBES



"Remembrance for Edward Thomas" by Graham Arnold, at the Arnolfini, Bristol

Arnolfini, Bristol/Octagon, Bath

Ruralists by WILLIAM PACKER

Artists have often come together in the past, and their various self-conscious groupings have reflected a whole spectrum of motivation, from real community of interest to the chances of friendship and general sympathy. They come and go naturally, no doubt, they always will; and given the nature of creative necessity and personal identity, it has usually proved mistaken to place too much weight on any founding manifesto or rationale. The brotherhood serves its turn for a spell, but we must look to the work, which must shift for itself.

The Brotherhood of Ruralists declared itself some six years ago, born of an earlier, somewhat looser federation, the Broadheath Brotherhood, which still appears to exert a moderating influence upon it; and from the start, for all the pastoral charm of the work it produced, it enjoyed and even seemed to encourage a certain lively controversy. For in setting themselves in direct line with the Pre-Raphaelite Brotherhood, and before the Brotherhood of Ancients of Calvert and Palmer, an exercise as it were in positive nostalgia, the Ruralists were seen to be launching a direct attack upon current developments and preoccupations in the visual arts, and what were thought to be the attitudes of the British Art World.

Such energy was misdirected then, and is now quite beside the point, for no one can reasonably claim, with the advantages of our present perspective, that figurative painting was ever moribund, or even remotely threatened, whatever the feelings of the time. The battle was fought with only one side engaged, which had the unfortunate effect of attracting undue, even unfair attention to the claims and posturings of the little troop, at the expense of their work. This is, therefore, a good moment to look again at the Ruralists as they continue as a group, to see what they are and what they have done.

The first thing to observe is what a remarkably mixed bunch they are, and how uneven the quality of their work, from the outstanding to the indifferent poor. They are Ruralists not in that they work directly from the landscape, though one or two of them sometimes do, but rather that they embrace the idea of the country and of the country life, and share the same dream of Arcady, the fabled world of Arden, the golden world.

The sense of the antiquity of the landscape, particularly of Wessex, where most of them have lived, broods over everything, and they ponder its legends and myths and fairy tales. Their more recent heroes are such figures as Hardy,

Spencer and Lewis Carroll, Richard Jeffries and Edward Thomas.

Peter Blake is the commanding member of the group and a major artist. Obsessed by the *Dream*, he has been painting pictures of Titania and her attendants for some years now: profound, worried, psychological fantasies all of them, and remarkable and memorable things they are.

But he has his own court here, David Inshaw, Graham Ovenden and Graham Arnold his chief officers, all well enough established by now in their own right; and there are the others, the peripheral and more modest figures, who in fact provide some of the best of the show, albeit quietly and straightforwardly.

Two in particular stand out: John Morley, a long-time associate rather than an actual brother, with his still-life model worlds; and Ann Arnold, whose run of small paintings opens the exhibition. Of them, she matches most closely the intensity of feeling of certain of the pre-Raphaelites, and her *Reverend Hasker's Cottage* recalls no one so much as Arthur Hughes.

The Ruralists remain at the Arnolfini until May 16, after which they travel on to Birmingham, Glasgow, and at last to Camden Arts Centre, on whose

initiative the show was organised. I hope to treat them more fully on one of these future occasions.

Bath is only a few miles and minutes away, and is manifestly its own attraction, but nothing is so great that one cannot add to it. The Royal Photographic Society has made the Octagon in Milson Street, a converted chapel, its national headquarters, which premises were officially opened by Princess Margaret last week.

Two exhibitions mark the moment, the one a didactic exercise treating on Sir John Herschel and the invention of Photography; the other an admirable retrospective of the work of Bill Brandt.

Brandt's nudes were shown in London and elsewhere lately, and so strong are they as images that it would be all too easy to let them overshadow the rest of a most varied achievement. Here they fall back into place, their technical boldness and forceful surrealism bringing out the innate surrealism and imaginative power of his more documentary activity. His work just before and during the War for such magazines as *Picture Post* and *Lilliput* is well worth renewed attention.

The Brandt remains until July 4, the Herschel until June 27.

Festival Hall

Ein Deutsches Requiem

by RICHARD JOSEPH

Slow, muted, poignant; Sergiu Celibidache's performance of Brahms' *Deutsches Requiem* with the LSO on Thursday night could be summarised in a few words. But that would gloss over the immense amount of care and detail, illumination and disappointment that this deeply considered performance revealed.

Celibidache's tempi are clearly designed for a more resonant acoustic than the Festival Hall. One suspects that the richer sound of Henry Wood Hall, the LSO's rehearsal space, would have been ideal. The LSO Chorus, though well prepared and obviously willing to carry out the conductor's desires, had a number of problems sustaining the quietest passages—a breath faltered, pitch momentarily slipped—and in clearing their throats for the loud climaxes. Similarly, Isobel Buchanan and Alan Titus were not without moments of nervousness in their careful, cultured delivery of the soprano and baritone solos. But the rewards of Celibidache's approach were considerable. For the first time in

my experience of Brahms' *Deutsches Requiem* in the concert hall, every voice written in the score sounded. The various orchestral choirs were related to one another with impeccable balance and a keen appreciation of the relative harmonic importance of their parts. This hyper-clarity meant that a few patches of suspect tuning were easily audible, but in general the LSO responded excellently, their tone both firm and controlled.

One of the chief merits of Celibidache's reading was that the calm purposeful last movement emerged as the proper finale of the work. Too often it sounds like an anti-climax after the vigorous fugue that precedes it. Also noteworthy was the conductor's awareness of the stresses and accents in the text, though this was sometimes exaggerated; to the contradiction of the composer's dynamic markings.

This discriminatory approach was also applied to the internal balance of the fugues. Often, as in the last fugue, it was brilliantly successful, but I did

not agree with the over-emphasis of choral entries in the "Der Gerechte Seelen" fugue in the third movement; this music is more than just a parade of the main subject through a couple of keys with vague contrapuntal accompaniment. Still, Celibidache's musical opinions are presented with a care and thoroughness that eludes most interpreters. For this reason alone they deserve our respect and attention.

Jayston as von Trapp

Michael Jayston is to star in the £750,000 revival of Rodgers and Hammerstein's musical *The Sound of Music*, playing the role of Baron von Trapp. He will be joining Petula Clark, Honor Blackman and June Bronhill in the cast of the show, which is planned to have an initial six-months run at the Apollo, Victoria, beginning in August.

Aldwych

The Knight of the Burning Pestle

by MICHAEL COVENEY

Francis Beaumont's early 17th-century revel, first performed some time between 1609 and 1614, proves a brilliant choice of play for director Michael Bogdanov to renew his ambitious association with the RSC. He seized on the outer framework of *The Taming of the Shrew* a couple of seasons back to provide one of the most startling openings in memory, with Jonathan Pryce causing havoc in the auditorium before destroying the set. This piece

royalist Mod of characters to all a great of characters to interrupt performance of the *London Merchant* and superimpose its own play. The resulting tensions are maintained throughout and Mr. Bogdanov and his company, having a fine old time on the *Nicholas Nickleby* design, rise gloriously to the occasion.

A grocer and his wife about down the acting company from the stalls, protesting against violence and obscenity on the stage and demanding a good straight play with a beginning, a middle and an end—"with a grocer in it." They bring on emerges in this exuberantly re-written part of the text as a royalist Mod of characters to all a great of characters to interrupt performance of the *London Merchant* and superimpose its own play. The resulting tensions are maintained throughout and Mr. Bogdanov and his company, having a fine old time on the *Nicholas Nickleby* design, rise gloriously to the occasion.

Between these two areas of apparent improvisation, there is the tale of Jasper's parents, the Merrythoughts. Mrs. Merrythought (Heather Canning) has a younger son to protect against the disappointment of Jasper and her husband's drunken eccentricity. Old Merrythought, somewhat tediously, meets every situation with an obscure song.

It is a tribute to John Woodvine's jovial and precise toper (a slightly refined version of his Windsor Falstaff) that this, the weakest strand in the production, just about gets by.

Most of the evening's energy goes into the presentation of Rafe and his cronies and an irresistible succession of theatrical set-pieces. Timothy Spall's Rafe is a stuttering skinhead with what looks like a permanent migraine problem. He begins by reading hopelessly from an obscure Penguin Classic but warms to his task once aboard a broomstick palfray and supported by his sidekicks (very well played by Nick Brimble and Teddy Kempner). They are a group of likeable hoodlums, let loose on a box of tricks. Once Mr. Spall hits the old "fourteeners" of the celebratory verse, he is coming across with all the confident aggression of a punk poet.

Beaumont's interludes are invariably met with some inspired business, whether it be Maggie Courtenay as the wife hitching up her skirt to perform a top routine with the linking Jacobean dancer; or Timothy Spall as her over-weening obnoxious husband passing round beakers of beer among the front stalls.

A climactic stage fight between the warring thespian factions is done as a hilarious send-up of Shakespearean conflict, and the episode in Barbarossa's cave unleashed as a Sweeney Todd parody, with

Malcolm Storry in a fluffy black wig dispatching victims in a welter of blood and shaving cream. By this time, one great coup is following another with dizzying regularity, until the theatre is invaded by hordes of Morris dancers and smiling milkmaids as a tribute to the spring and the city. Even that is topped by Rafe reviewing the troops at Mile End with the imperishable interpolated command "Form a crescent!"

In his final speech, Mr. Spall clinches a superb performance by recapping his adventures as if in a dream (he is, in a manner of speaking, dead). This speech takes on the sudden, throat-catching poignancy of Bottom's Dream. For a couple of hours, this underprivileged fathead has drunk from a Leathern stream of fantasy and honourable achievement. But there is nothing coy or necessarily far-fetched in Rafe's personality. Mr. Spall makes sure we can recognise him as any kid on the streets of our cities today.

About a year ago I bemoaned the lack of exciting large-scale classical work from the new generation of directors. Londoners now have a choice of three extraordinarily vital classic shows from that generation: Adrian Noble's *Duchess of Malfi*; Michael Rudman's *Measure for the National*; and now Bogdanov's fabulous and imaginative Aldwych production. I strongly recommend all three.



Timothy Spall

Leonard Burc

Arts Council forum on jazz/improvised music

"A marvellous achievement" was how one musician described the two and a-half day forum on jazz and improvised music held in London recently and organised by the Arts Council of Great Britain.

Most of those attending were musicians representing the whole spectrum of jazz and improvised music as well as journalists, promoters and officials from organisations connected with the support or presentation of the music including the BBC and commercial radio, the Musicians' Union, the Association of Improvising Musicians, the London Musicians Collective, the British Association of Jazz Education and the Gulbenkian Foundation.

The numerous topics discussed during the ten separate sessions included the financing of the music, sponsorship, patronage, promotion, education and the role of the media. On the final morning several resolutions, including one concerning future policy to try and influence the way music generally is taught in schools and another calling for an investigation into an overall touring policy in Britain for jazz and improvised music, were overwhelmingly passed.

As far as is known this was the first time an officially organised forum covering such a wide area has been held in this country and it is anticipated that it will be repeated.

KEVIN HENRIQUES

CRICKET by TREVOR BAILEY

All was not disaster in West Indies

IAN BOTHAM and company returned from the West Indies on Saturday after one of the most ill-fated and unsuccessful tours ever undertaken by England.

As expected, they were comprehensively outplayed in every facet by the world champions, losing 3-0 in what the Guyana incident had reduced to a four-match series.

With assistance from the weather, some fine individual innings and a couple of stubborn rearguard actions, they managed to draw the last two Tests. But at no time did they seriously worry the opposition. Although disappointing, it was all too predictable. The England party was unbalanced, for which the selectors can be blamed, and was short of high-class players, for which they cannot. The intriguing feature was how the strong points of our cricket have changed.

The wins obtained under Mike Brearley, admittedly against far weaker opponents, stemmed primarily from a good attack, superbly supported in the field. They were handicapped by a shortage of runs. In contrast, our bowlers in the Caribbean had trouble dismissing what was by West

Indian standards a distinctly suspect batting line up, while our fielding was adequate rather than brilliant. But four of our batsmen succeeded in playing major innings against the much feared pace quartet, so all was not disaster.

Our selectors now have to pick up the pieces. But they have a nucleus of six players from which to form the side needed this summer to beat a new look Australia, who will be much weaker than the West Indies and will sorely miss Greg Chappell.

Graham Gooch, who really came of age as a Test batsman last year, has developed into one of the most devastating stroke makers in the world. Moreover, in the last two series against the West Indies he looked a better player than Gordon Greenidge, especially when taking into account the quality of the bowling he faced.

Watching Geoff Boycott continue to accumulate runs in his own way and in his own time, one cannot help wishing there were more young cricketers with the same intense application. They might bat better if they spent more time in the nets learning their trade and developing their technique and

less time on physical exercises. David Gower is the most naturally gifted player England have produced for a long time. In the final Test he showed that he has acquired the mental approach necessary to play a protracted match-saving innings, as well as match-winning ones.

Peter Willey, always at his best against pace, did much to hold together the lower order and his off-break bowling should be more effective in England.

John Emburey is a high-class off-spinner, although his figures did not do him justice, while Graham Dilley is an exciting novice fast bowler with a bright future, providing he learns control.

The other certainty for the first Test against the Australia is, of course, the highly talented Ian Botham, a world-class all-rounder and a great competitor.

However, there are already calls to replace him as skipper. He has, not surprisingly, made a number of mistakes on the field and in his handling of some members of his team. His own performances with bat and ball have also been noticeably less impressive since taking on the captaincy.

Cricket captains, like football

managers, are judged, often unfairly, on results. England under Botham's command have failed to win any of the last 10 Tests. They would probably have lost several more if the weather had not come to their aid.

This is exactly why I said last summer that I was not in favour of giving Ian the job at that time—not on grounds of inexperience but simply because the climate was wrong.

I would have preferred to have seen him in charge after the probable disasters against the West Indies—that is, either in India next winter or ideally at the start of 1982.

There are not many obvious alternatives, unless the selectors are prepared to go outside the ranks of the current county captains, as they did in Ian's case. These ranks have been reduced still further by overseas cricketers.

My own hunch is that Ian will be reappointed for the first three Tests. He should have learned the much and one hopes against Australia, but he must become less sensitive to criticism, because every time England fail he will come under fire.

TENNIS by JOHN BARRETT

Return of the British Hard Court

THE RETURN of the British Hard Court Championships to their traditional spring setting from last year's experimental September date has produced a respectable entry. It should make a worthwhile championship.

Play starts today at the West Hants Club, Bournemouth, under the sponsorship of Three Fives cigarettes which put up \$75,000 prize money.

A more sensible ticket pricing policy this year, together with a Sunday lunch and the presence for BBC television for the last three days should ensure local and national support for Britain's second oldest championship (after Wimbledon). It began life in 1924 and has been held every year since except for the war years and 1977 and 1979.

Balazs Taroczy of Hungary and Tomas Sand of the victorious Czech Davis Cup team head a field that contains three former champions—Mark Cox who won in 1970, Manuel Orantes of Spain, the 1975 champion, and last year's winner Angel Gimenez.

Such is the improvement in standard, that the diminutive Spaniard, Gimenez, who plays

in a white cap, finds himself unseeded this year and meets Taroczy in the opening round.

Cox, now 36, comes fresh from a victory on Saturday in the British Home Stores tournament at the Cumberland Club, Hampstead. He recovered from 1-3 in the first set and again from 4-4 15-40 to beat Chris Bradman.

Cox's opponent is Ray Moore of South Africa, who is only two years younger. Moore arrives this year as the mentor of a group of promising young South African players. Curiously, the winner here will meet Taroczy or Gimenez.

Orantes, at 32, looked as fit as ever when I saw him in Monte Carlo last week. But an operation on his left wrist has left him short of match practice, a factor which contributed to his early exit at the hands of Italy's Gianni Occhipinti.

His confidence will be tested in the opening round this week by one of Europe's brightest youngsters—Per Hjertquist of Sweden who has the physique and colouring of a young Lew Hoad.

Seeded three is the 25-year-old giant from Paraguay Victor Pecci, whose elimination of

Bjorn Borg 6-0, 4-6, 7-5 in the opening round, Monte Carlo was one of the most surprising matches I have seen for years.

Irrespective of Borg's reported shoulder injury (and certainly he was not hitting his first serve very hard) this match turned on Borg's inability to nail his passing shots as he normally does against a net rusher like Pecci.

Borg, had he been normally accurate, would have won that third set comfortably. That leads me to wonder whether a subtle change has come over the world champion following his marriage last year to Mariana Simionescu. Nowadays he is practising less than usual and taking more of the daily decisions that formerly were left to others.

If you look at the form of other leading players during their first year of marriage you do see sometimes an inexplicable loss—viz. Jimmy Connors in 1979, Chris Evert Lloyd the same year (she even gave up the game for three months to sort herself out), husband John in 1978, Victor Pecci in 1980.

Guillermo Vilas, at 28,

realises the danger. When I asked him last week if he was contemplating marriage, he replied that it would be impossible to be single-minded about his tennis if he took a wife.

His recent form suggests he is a long way from the altar. He won five matches to take the Houston title two weeks ago without losing a set and won four more in Monte Carlo where his final yesterday against Connors was abandoned at five games all in the first set.

With news last week that Britain's next Davis Cup match against New Zealand will be played in Auckland after all, it will be interesting to compare the respective form of Buster Mottram and Onny Parun, the most experienced of the New Zealanders who is expected to play singles.

Mottram's first opponent is Gustavo Guerrero, a team mate of Vilas of Argentina in the Davis Cup. This will be no easy task for Mottram despite his excellent form. Last week he eliminated Heinz Günthardt of Switzerland 6-2, 6-0 before running out of steam against Jose Figueras, the number one Spaniard, when in a winning position.

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4A 3DF

Telegrams: Finantime, London F54. Telex: 8354871

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Tuesday April 21 1981

A problem that won't go away

THE PLEASANT and uneventful Easter break which we have enjoyed could prove more than a passing relief this year, for it also marks a break in our domestic affairs which offers the Government, and especially the Treasury team, the chance to recover its sense of direction. The signs of economic recovery, which provoked such a celebration in the stock market last week, offer no more than a glimpse of blue sky. It is much too early to say whether they offer the promise of a fair wind, or a spell in the doldrums, but it does seem fair to hope that the worst battering of the recession is past. Ministers can now think beyond the next emergency.

Picture

The normal human temptation in such circumstances is to devote much time and energy to searching for every favourable indicator, and trying to build a picture of the more cheerful prospect before us. On this occasion, however, the Civil Service has unwittingly saved ministers from the normal temptations. The disruption of official financial flows, and the lack of some important statistics, mean that there is no reliable material from which to make tactical analysis. Ministers can think strategically, or not think at all.

So far the Government has had only one effective economic objective—to stop inflation. It has learned one painful lesson: that deflation cannot simply be left to the monetary authorities, while the Government gets on with the popular game of tax-cutting. The fiscal squeeze imposed in March was in fact two years overdue, which is why it has appeared so ill-timed; the signs are that in spite of this, a better balance will help rather than impede recovery.

In this sense the Government has every reason to brush aside the protests of the large body of academic opinion ranged against its present stance. However, if the academics are suggesting a wrong answer—that it is somehow possible to combine deflation with fiscal stimulus—they are still asking a question which the Government has yet to face: how it is to address the problem of unemployment.

Ministers seem to have hoped until now that the unemployment problem would simply go away in an otherwise well-conducted economy, but this is only likely to prove true in the long run. The fact is that any policy which effectively challenged our national bad habits of slack management and over-manning was bound to provoke a major

and lasting shake-out of labour. When this is achieved at a time when the labour force is growing naturally, the problem is redoubled. Not only is mature labour shed in lagging industries, but young would-be entrants to the labour force may have no opportunities at all. Youth unemployment is not only deplorable, but socially dangerous, as Brixton reminds us.

Unemployment has been caused, as we have seen, by the Government's success in imposing harsh competitive conditions; but the problem is also due to failures in other areas of Government policy. In the long term, the solutions must be sought in these areas—labour market reform, incentives, mobility, industrial policy and the management of the public sector.

The problem of trade union reform is likely to be the hardest to solve, though a greater display of determination would be welcome; but the rest of the agenda could be effectively addressed in the present Parliament. The Chancellor took office with promises of tax reform. He has fulfilled his promises as far as capital taxes are concerned, but the structure of income taxes is worse than before. His remaining Budgets should be aimed to achieve a wider tax base and to mount a determined attack on the poverty trap.

Attention

Industrial policy and the management of the public sector are already at the top of the agenda. The recession has diverted massive resources into rear-guard actions in defence of struggling or dying industries; the challenge here is to prevent these sad necessities becoming a destructive habit. However, not all publicly-owned industries pose this problem: some are in natural growth areas, and the financing rules which inhibit investment need attention. Meanwhile, investment in the private sector may itself be inhibited as long as monetary policy remains a forest of unsorted technical questions, and the management of interest rates is reduced to cautious guesswork.

Even ideal tax, financial and monetary policies would produce only a slow improvement in the labour market. The Government is certain to face re-election with a sad record here. It is not too late, however, to adopt policies which should ensure that though the level of unemployment may be high, the trend is favourable.

The challenge to Poland

THE POLISH cauldron continues to bubble furiously; the wonder of it is that it has not boiled over. In the past few days the authorities in Warsaw have reversed their refusal to recognise Rural Solidarity, a peasants' union; the Communist Party has made placatory gestures towards members who want to break with the concept of "democratic centralism"; the fiction that whatever the party leadership decrees is *ipso facto* democratic; and the West has taken an important step towards rescheduling the debt of about U.S.\$24bn that Poland owes to it.

A task force representing Western bank creditors, after a meeting with the Poles, recommended that proposals be drawn up to defer the payment of \$3.1bn in Polish debt falling due this year. Another \$4.4bn in official debt, such as export credits, also comes due this year. Western governments are within sight of an agreement for rescheduling that portion of the Polish debt.

Unfortunately it would be wrong to conclude that, at least as far as money matters are concerned, the Poles are out of the woods. Much can go wrong before the recommendations of the banking task force are turned into a firm agreement.

The case that the Polish side submitted to the meeting comes close to having been a petition in bankruptcy. Poland will need additional credit at least until the mid-1980s. Before the situation stabilises, agriculture and industry—above all the coal mines—must be put back into order. Economic expectations raised by the rise of the Solidarity trade union movement will have to be severely reduced: the Poles have already acknowledged the need for an austerity programme.

Recession

It would be tempting for western banks and governments to demand that the Russians should play their part in filling up Poland's all but exhausted foreign reserves. But the political argument against anything that smacks of a deal with Moscow is overwhelming. The West must not be seen to be

associated with the Russians in the imposition of what cannot but be unpopular measures in Poland.

With hindsight it can be said that the Western banks' commitment to Poland strained the normal bounds of prudence. In their defence it must be admitted that nobody could foresee the full effects of the western recession and the disruption caused by the political upheaval in Poland.

Exports of coal have for long been a main source of hard currency for the Poles, but since the introduction of the five-day week for miners last year output has been receding.

Polish agriculture, too, is in a sad condition. Three successive poor harvests bear much of the blame.

Puzzle

The biggest puzzle is the future course of Polish domestic politics. Next Saturday's meeting of the Party Central Committee may shed some light on how far the leadership is prepared to go towards meeting pressure for more democracy in the party. A large portion of the membership wants to have a choice between candidates when electing delegates for the Party Congress to be held this summer.

A deeply divided Polish leadership has not given its views of that heresy. However, when the reformers met last week, Mr. Richard Lukaszewicz, a high party official, told them that they were "life-giving capital" for the party. Assuredly his view is not shared in Moscow, where party congresses are as full of surprises as the ceremony of Trooping the Colour.

Ever since the Polish ferment began, Moscow has been blowing hot and cold, flaunting its ability to intervene, yet stating its readiness not to. Only a few men in the Kremlin—and maybe not even they—know precisely where the line is that they will not allow Poland to cross. The Polish reformers have so far displayed a fine instinct of what Moscow will put up with; in their own interest one must hope that that instinct will not desert them.

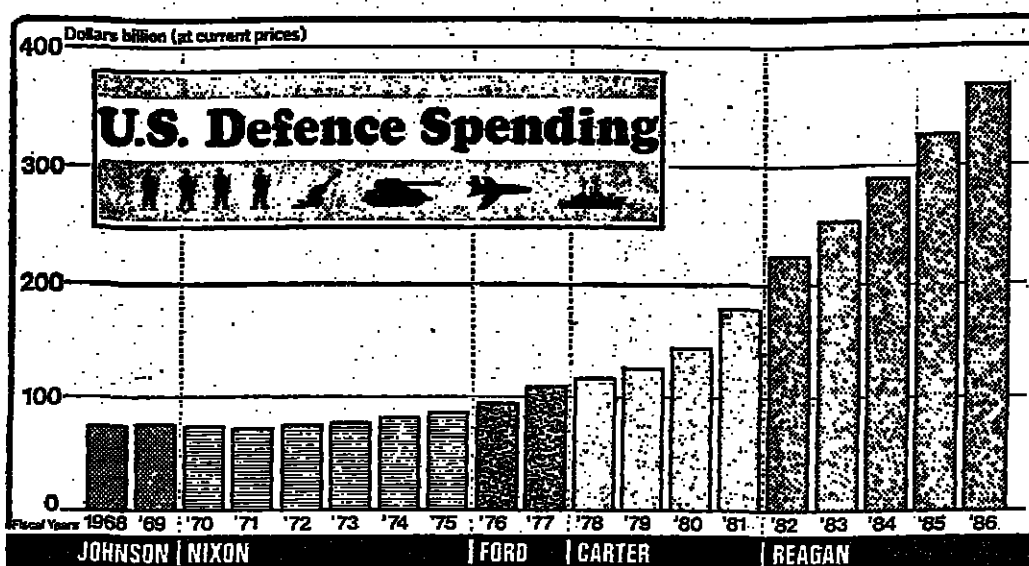
U.S. DEFENCE BOOM

The Pentagon's buying spree

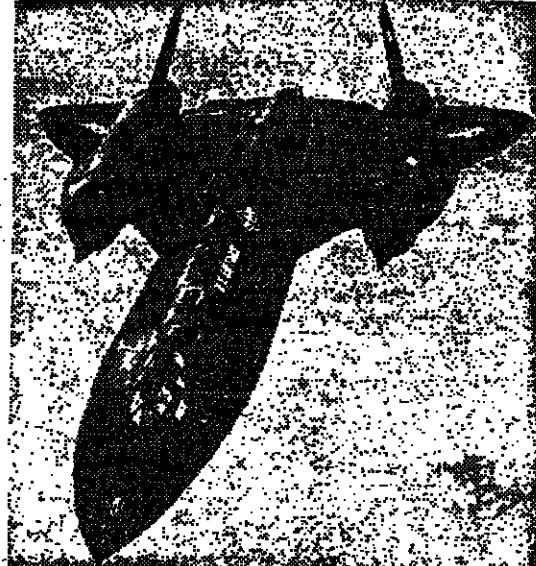
By Ian Hargreaves in New York



The McDonnell-Douglas F-15 "Eagle"



Bob Hutchison



The Lockheed SR-71 "Blackbird"

IN 1970, at the height of the Vietnam war, when Richard Nixon became President of the United States, the U.S. spent \$77bn on defence.

In 1980, President Reagan says he wants to spend over \$376bn. Most of the huge gap between these two figures represents inflation, but even in constant dollar terms, next year will be the first since Vietnam when defence spending will exceed the 1970 figure.

For the 25,000 contractors who sell their goods to the Pentagon, the Reagan rearmament comes like a divine visitation. Wall Street, which talked up the defence stocks avidly enough before Mr. Reagan's election victory on the strength of heightened international tensions, has pushed many defence stocks to record heights this year, leading some industry watchers to conclude that the stocks are overvalued.

"I have a very strong feeling that in nearly every case from the short-term investment strategy point of view, they are overbought," says Mr. Hugh Johnson, of First Albany Corporation.

If the defence boom is making Wall Street look hard for undervalued winners, it is also raising other more important questions about the condition of the industrial base which will service the Pentagon's shopping list and about the complex relationships between industrial productivity, technological advance and competitiveness which are as troubling in the defence industry as they are in the steel and motor industries.

It would be unwise to push too far the analogy between the American sense of inferiority to the Soviet Union in military matters and the widespread fear about falling third best to Japan and West Germany in basic industries. But in one sense the Reagan defence programme, or at least the way in which it is now being executed, is a response to a lack of industrial, rather than military, confidence.

In the Carter Administration, with a scientist, Mr. Harold Brown, as Defence Secretary, there was a tacit official disdain for the numbers war with the Soviet Union. The mission was to outwit the enemy with "smart" or as some protagonists

call them, "brilliant weapons." Essentially these are weapons, mainly missiles, whose computer-controlled brains enable them to seek out enemy targets, evade radar, electronically jam opposition signals, and successfully strike. The classic example is the air-launched Cruise missile, now being built by Boeing, which looks like a slim version of a flying grey whale. Only 20 ft long, it can fly within 100 ft of the ground to evade radar, then "see" its target before knocking it out. The other military jargon for such weapons is "fire and forget."

Critics of the Carter-Pentagon charge that the former President was all too willing to fire and forget his entire defence procurement policy. He cancelled the manned bomber programme (the Rockwell B-1) because it was deemed obsolete in this world of high technology warfare and made no plans for a new generation of fighters beyond those already on the production lines at McDonnell Douglas, General Dynamics, and elsewhere.

Mr. Carter even refused to back development of some advanced weapons, such as the Jump jet, which Congress forced back into the Budget, and was said to have been only a very reluctant convert to the mobile MX missile programme, the remarkable project which will involve real and dummy missiles shuttling between 4,600 shelters on 10,000 miles of dirt road in Nevada and Utah.

Mr. Carter, a former nuclear engineer in the Navy, felt the U.S. could maintain its strike capability against the Soviet Union by its unrivalled submarine deployed missile force.

The Reagan-Weinberger position is that the U.S. cannot afford to put all its eggs in the technology basket, because that technology may become vulnerable and because of the renewed emphasis upon the U.S. ability to fight non-nuclear wars which do not involve direct confrontation with the Russians.

A subsidiary fear, although a much discussed one, is that the ever-increasing complexity of American weapons makes them unreliable, in part because of lack of sophistication among

military personnel.

So, although Mr. Reagan can hardly hope to close the tank gap with the Soviet Union (currently 40,000 versus 10,000) he will increase tank purchases by nearly 40 per cent in the next two years. He has restored to the Pentagon's order book the Fairchild A10 fighter, formerly held to be obsolete. There will be a new nuclear-powered aircraft carrier and, of course, there will be a manned bomber, although whether it will be the B-1 under another name or a cheaper General Dynamics derivative is not yet decided.

The most immediate large contract decision will be on the transport aircraft, another "con-

tract" which has re-emerged to mobilise the vast American war machine, the machine itself may be short of a few parts.

The winding-down of the Vietnam war effort, coinciding as it did with a much-reduced space programme, produced widespread redundancies among skilled engineers, especially on the West Coast, and squeezed profits of hundreds of smaller defence suppliers (as well as at some larger ones), so that many either turned to non-defence business or went bankrupt. Engineering schools, meanwhile, were short of students.

This twin shortage of skilled manpower and key materials or

time when, in spite of Mr. Carter's alleged frugality on defence, a number of major weapons programmes were also in fairly strong swing.

The result was that lead times for components such as large aluminium forgings and titanium fasteners extended from a normal ten weeks or so to two years. That had the side-effect of adding enormously to the costs of Lockheed's Tri-Star jet programme, as Boeing cornered key supplies in what it could see would be a tight market.

Today, this situation is much eased (titanium fasteners down below one year) and the industry is more composed. McDonnell Douglas says it will be able to cope, even if the commercial scene peaks with the military programme in 1984, as is distinctly possible. Others disagree. "It could really jam the thing up if that happens," says Mr. Bob Child, Lockheed's domestic marketing director. McDonnell, of course, is not just sitting around hoping for things to be OK, it is securing its supply lines and, in the case of landing gears, planning an in-house production facility to supplement its supplies.

If a crunch comes, the Pentagon has power to order priority for its own programmes, although that would have a serious effect on the civil aviation and electronics business, in which most of the defence contractors are also involved.

From the point of view of the smaller contractor, the art is to maintain diversity of contracts and avoid being bullied by the Pentagon or a prime contractor into accepting changes in contract specifications without adequate financial compensation, according to Mr. Howard Cusick, head of Hitec, an Armo subsidiary which makes submarine hulls and aircraft brakes. Such problems also afflict big contractors too, of course, as General Dynamics has found with its late and greatly over-budget Trident submarine programme.

The manpower problems are similar. Supplies of trained machinists and professional engineers are still tight after a rather weak year for the U.S. economy. These conditions have driven pay rates to undreamed-of levels—\$28 an hour for a

contract machinist—and doubled labour turnover rates at many companies from a typical five to a typical 10 per cent.

The contractors argue strongly that the problems would be avoided by a steadier programme of procurement from the Pentagon and a switch to multi-year rather than one-year contracts, an idea for which the new Administration has shown some sympathy. A more difficult question is that of financial rewards for defence contracting, with most contracted rates of return still pegged at an arguably inadequate 8 per cent after tax.

Yet on the whole, the defence business has not treated its participants at all badly. There are plenty of fringe benefits, such as Government-funded R and D, which creates some sympathy. The ability to produce derivatives for export sales (a growing business for several companies) and a steadiness which is certainly lacking in the commercial aerospace business.

The majority of defence contractors are in little doubt that their defence and civil activities offer mutual synergy. In some important instances, such as the VHSIC (Very High Speed Integrated Circuit) programme, the Pentagon has specifically funded a piece of work to keep a group of companies working on state-of-the-art microchip technology.

In certain advanced areas such as robotics, lasers, satellite communications or advanced materials, the links between the military and the commercial are all too obvious.

As for picking winners, well, there are not likely to be too many out-and-out losers in the defence field in the next few years. First Albany's list of favourites tends towards the esoteric, including Itek (lasers), Loral and Sanders (electronic warfare systems), Cincinnati Milacron and Analog Devices (robotics), Quatronics (micro-electronics) and Nuclear Metals (advanced materials). Even beyond the Reagan boom, these sectors are felt to be certain growth businesses.

Right now, the U.S. defence industry, for all the worries of Congressmen about its state of preparedness, is feeling good about itself.

TOP TEN U.S. DEFENCE CONTRACTORS

	Awards (\$bn)	
	1980	1979
1 General Dynamics (1)	3.5	3.5
2 McDonnell Corporation (2)	3.2	3.2
3 United Technologies Corporation (3)	3.1	2.6
4 Boeing Company (7)	2.4	1.5
5 General Electric Company (4)	2.2	2.0
6 Lockheed Corporation (5)	2.4	2.0
7 Hughes Aircraft Company (6)	1.8	1.6
8 Raytheon Company (9)	1.7	1.2
9 Tenneco Incorporated (10)	1.5	1.1
10 Grumman Corporation (8)	1.3	1.4

Figures in brackets denote 1979 positions.

ventional" weapon needed for the Rapid Deployment Force and other uses. Lockheed, Boeing and McDonnell Douglas are in competition for this contract and have spent not far short of \$100m between them on the back-up to their bids.

For the large contractors, the biggest financial benefits will flow from an increased order rate for numerous types of aircraft and ship. There will be more fighters and helicopters from McDonnell, General Dynamics, Fairchild, Northrop, Hughes, United Technologies and Grumman, more ships from Tenneco, Litton and others, more tanks from Chrysler, more missiles from Lockheed, Martin Marietta and others.

There are, however, real fears that, just as the political

components is the basis for the worries voiced in a House Armed Services Committee report earlier this year, which pointed to "an alarming erosion of crucial industrial elements, coupled with a mushrooming dependence upon foreign sources for critical materials."

The argument about the unreliability of supply of certain critical minerals, such as cobalt and titanium, is an old one and Mr. Reagan recently announced that the U.S. would start in earnest to stockpile these substances again.

Fears about the state of the domestic industrial base are more recent and stem from the fact that in 1979, commercial aerospace was booming at a

MEN AND MATTERS

Futures exports earn award

However intangible they may sound, invisible earnings from deals in commodity futures have substance enough to bring the first Queen's Award for exports today to an independent City commodity broker.

Inter Commodities achieved the distinction by earning £1.35m in commissions from foreign clients last year.

The company was only founded in 1972. By 1978 its pre-tax profits were still a mere £15,000. But in the last few years its business has grown at a phenomenal rate. Profits last year were £675,000.

"It was the relaxation of exchange controls in 1979 that gave us the real boost," says founding partner and joint financial and managing director Christopher Sharples. Overseas earnings that year trebled to more than £1m.

But Sharples, son of Sir Richard Sharples, the Governor

of Bermuda who was assassinated in 1973, would be unduly modest if he were to give Chancellor Sir Geoffrey Howe all the credit.

Inter's success owes at least as much to its meticulous marketing planning. It set out to capture foreign clients by establishing a sophisticated and extensive communications network centred on its London offices. Dealers fluent in foreign languages were trained and recruited.

The company pioneered a computer data transmission package which gave clients daily access to their account details and valuations through computer terminals in their own offices. The system was later expanded to include a market information service.

As a result, Inter's dealings now cover contracts worth £1.1bn on all the world's major commodity exchanges for clients in 21 countries from Argentina to Zambia.

Meanwhile, further evidence that a job in politics still has attractions in spite of the profession's general unpopularity, is being demonstrated in Queen Anne's Gate where the Social Democrats are still sifting through 250 applications for the £20,000 a year post as the new party's chief executive.

Transfer fee

Fulham Football Club will not be going cheap. That was the ebullient chairman Ernie Clay's message to prospective bidders yesterday. "I'll consider all offers," he says, "after all it would be silly not to. But I've put a substantial amount of money into the club and although some of it has been whittled away, a buyer would have to fork out between £1.25m and £1.5m."

That price is double what Ron Noades paid for a 75 per cent share of Crystal Palace in January—but still seems modest compared with the £1.5m that Wolves paid Aston Villa for striker Andy Gray last year.

Clay confirms that he has had two serious approaches in recent days. One from a fellow Football League chairman who wanted to buy out the club's Rugby League interests. "He'd heard of some disagreements here, which were exaggerated, and so put in an offer," says Clay. "He later raised the offer when the rugby team won promotion."

The other offer, Clay tells me, comes from an international business consortium. But he has no idea whether Malcolm Allison and former England captain Bobby Moore are involved.

Clay does not seem to be planning to quit the football scene, however. He intends to stand for election as president of the Football League when the post falls vacant next month.

If successful, he says he would try to reorganise the sport and put an end to what he describes as "a big

waste of money." One of the first rules to be challenged would be the ban on paid directors. "Football clubs should be recapitalised, run by professionals, pay proper dividends and generally be run like real businesses," he says. "Sheer hard graft, that's what's needed now."

Bird call

What the irrepressibly chirpy Buzby has done for British Telecom, his wild feathered friends may now do for Japan's vast telecommunications monopoly Nippon Telephone and Telegraph.

The corporation plans to press its public relations by spending \$225,000 on making plastic caps for the tops of its hollow steel telegraph poles to prevent wild birds being trapped inside them. Hisashi Shinto, NTT's president, personally ordered the move after appeals from bird lovers.

Most of NTT's 14m poles are made of concrete or wood. But, because of their lightness, some 140,000 of the hollow variety have been erected in wild and mountainous regions of the country. Many birds nest in the tops of them—and, according to birdwatchers, die inside them when the nest collapses.

Gang of 364

London Transport is appealing for recruits to its police force with some oddity-worded posters at tube stations: "You could be a vandal, pickpocket, thug or worse... Or someone who could catch any of these!" At one West End station, the poster has been amended to read: "You could be a vandal, pickpocket, thug or worse... Has the under-manned force not noticed 364 studious men with felt-tipped pens haunting the underground?"

Observer

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"It's probably for the export of Royal souvenirs"

The Third World's smoke signals

THE BRITISH tobacco industry may be in the midst of its post-Budget blues, but the world market for cigarettes is growing virtually unchecked. Worldwide, demand for cigarettes has risen steadily for the past two decades and its growth is forecast to continue at the same or slightly faster pace.

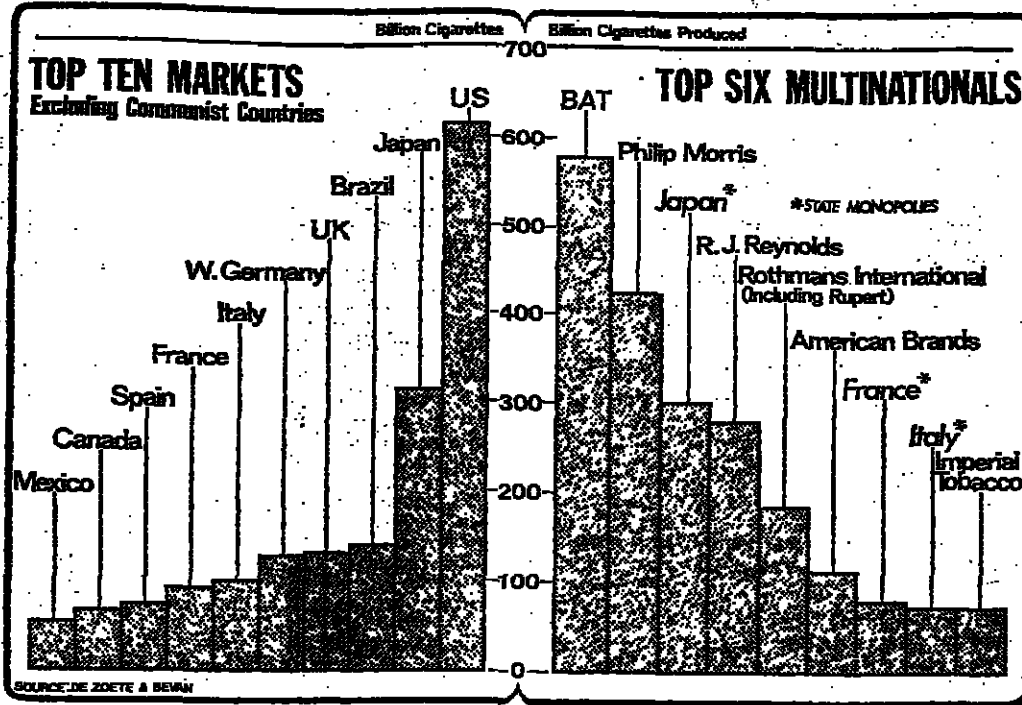
Every year, in fact, a market the size of the UK (the fourth largest in the non-communist world) is added to world cigarette sales.

Against this global background is the determination of the multinational tobacco companies to increase further their stranglehold on worldwide sales. Already some 58 per cent of the non-communist world's cigarette production is in the hands of just six tobacco multinationals. If the current talks on a possible link-up between Rothmans International and R. J. Reynolds go ahead, then that concentration will increase significantly.

The Rothmans-Reynolds tie-up is aimed at strengthening the two companies' positions in the U.S. and Europe—but it is the Third World countries of Africa and the Far East that are the real prize being sought by the multinationals.

Sales in the Third World are only about a half of sales in the industrialised countries (and about 40 per cent of sales in the Communist bloc). From this smaller base, the growth rate over the past seven years (13.8 per cent) has been greater than that for the developed countries (3.5 per cent). Moreover, estimates for Third World growth over the next five years suggest a growth rate three times that of the developed countries.

Such Third World growth—highly attractive to the multinational tobacco companies—is the result of a number of factors. These include the existing low per capita cigarette consumption, rising standards of living, a



switch from hand-rolled to machine-made cigarettes, and the fact that anti-smoking lobbies are virtually non-existent (as yet) in the Third World.

But the covetous way in which the multinationals are viewing Third World markets has already come in for some criticism about the abuse of multinational power. The UK Government, for example, last year made clear its concern that some multinationals were exporting to Third World countries higher tar cigarettes than could be sold in Britain.

In addition, the Geneva-based United Nations Conference on Trade and Development (UNCTAD) has produced a detailed report accusing the tobacco multinationals of widespread bribery in overseas markets. (They spend \$1.8bn on advertising.) The report

states that a major "component of world tobacco marketing is global corporate bribery, or the 'pay-off' complex involving millions of dollars."

Whatever the truth of UNCTAD's allegations, the threat of the multinationals' steady push for growth has been sufficient to jolt the various state-owned tobacco monopolies in Europe and Japan to combine to meet the challenge.

Last month the five monopolies—France, Italy, Austria, Portugal, and Japan—announced they were to produce jointly a cigarette under the brand name "Champagne" to compete with the rising popularity of the multinationals' brands.

The multinationals' power over the world cigarette markets is to a certain extent hidden by the complex maze of financial connections, leasing deals, and

"arrangements" that exist between the multinationals in most countries. For example, Gallaher, the second largest UK cigarette manufacturer which is owned by the U.S. multinational American Brands, sells Winston cigarettes in Britain. But in the U.S. market Winston is the second most popular brand and owned by rival multinational R. J. Reynolds.

The complexity of multinational wheeling and dealing is also shown by the activities of Dr. Anton Rupert, the South African multi-millionaire whose share dealings are always shrouded in the utmost secrecy. Dr. Rupert, who controls the South African Rembrandt tobacco group, is believed to have around a 10 per cent shareholding in Rothmans International and 50 per cent of the voting rights. The Rothmans

stake is through Rothmans Tobacco Holdings, which in turn is controlled by the Rupert Foundation based in Luxembourg.

It was a private meeting between Dr. Rupert and Mr. Paul Stiehl, chairman of R. J. Reynolds, which is understood to have sparked off the "talks about talks" of a possible link-up between Rothmans and Reynolds. These talks are still progressing although a new development—perhaps details of a partial merger or other financial arrangement—is expected shortly.

The world market for cigarettes (based on production figures which are generally more accurate than consumption statistics) totals approximately 3,500bn cigarettes. This is split three ways with the developed countries responsible for 1,845bn, the communist countries some 1,380bn, and the developing countries 975bn.

Of these three sectors, the fastest growth over the 1970s has been shown by the developing countries of the Third World, whose compound growth rate per year has been 3.8 per cent, while the Communist bloc has grown by 2 per cent, and the developed countries by 1.5 per cent.

Over the next five years, according to estimates by stockbrokers De Zoete and Bevan, the world total should grow by 2 per cent, with the Third World increasing by almost twice that at 3.9 per cent, Communist countries by 1.8 per cent, and the developed nations by 1.2 per cent.

More than half the world market, excluding the Communist countries, is controlled by just six multinationals—BAT, Philip Morris, R. J. Reynolds, Rothmans International, and the Rupert empire, American Brands, and Imperial Tobacco. In fact, there are only five true multinationals, since Imperial's tobacco sales are virtually all in the UK, a market which it domi-

nates. This dates back to the long-standing financial arrangement with BAT whereby Imperial stayed out of the world markets while BAT stayed out of the UK. This arrangement, which had been operating for several decades, was brought to an end by the threat of EEC intervention once the UK had joined the Common Market in 1973.

The largest tobacco multinational is BAT which is rated in 50th place in the "Fortune" list of the world's top industrial companies. About one in five of all cigarettes smoked in the non-Communist world is a BAT brand and the multinational is represented—either as a manufacturer or distributor—in virtually every world market.

BAT earns the bulk of its profits from both North America (through its Brown and Williamson subsidiary) and South America (especially Brazil) and is strongest in Europe in the West German market. Its attempt to break into the UK market in the late 1970s with its State Express brands has so far not been a major success.

Philip Morris is rated as the second largest cigarette company with worldwide output of some 425bn cigarettes. About 40 per cent of this figure is estimated to come from the sales in the U.S. where Philip Morris has the leading brand Marlboro. (It has 18 per cent of the market compared to just over 13 per cent for Reynolds' Winston brand.)

R. J. Reynolds has estimated worldwide sales of 280bn cigarettes which, if added to the 180bn sales of Rothmans International would create a worldwide combine second only to BAT.

The overseas interests of American Brands, with total cigarette output of 110bn, are mainly a share of the UK market (through Gallaher's 30 per cent) and a much smaller share of the Netherlands market. Apart from the multinationals,

re-stocking has started again in the past 10 days. Smokers, therefore, have had the full impact of the Budget duty increase cushioned by their own pre-Budget buying.

However, now that the higher prices—81p for a packet of premium King Size—are beginning to become more widespread, the cigarette market is likely to slump further as smokers decide to reduce their addiction. The industry remains confident that most of these smokers will gradually adjust to the higher prices and return to their old smoking habits. But not all smokers will return to the fold—thus accelerating the long-term decline in the market. And on top of this trend, the industry is also on the defensive against the anti-smoking lobby's attack on health grounds and the attempts to ban all cigarette advertising except at the point of sale.

The preliminary retrenchment announced by the industry last week could soon become a full-scale rout. Hence the determination of the tobacco multinationals to seek growth in overseas markets.

Thus, since the Budget, manufacturers' sales to retailers have been virtually non-existent although the trade reports that retail

the other major cigarette producers (excluding the communist bloc) are the state monopolies. Of these, the Japanese state monopoly produces some 300bn cigarettes, while the French monopoly sells 75bn and the Italian 70bn.

The trend in recent years has been for the European monopolies to lose market share to imports, especially from the U.S. companies Philip Morris and R. J. Reynolds, as a result of relaxation of market controls under EEC policy. The next major development, therefore, is likely to be when Spain and Portugal join the EEC—adding a total of 72bn cigarettes to the 300bn already sold within the EEC. Their state-run monopolies are likely to have to open

up their markets. There seems little to stop the relentless growth of the multinationals in the world market and some observers believe that if they can successfully capture markets in Africa and the Far East, then the multinationals will control some three-quarters of the world output by the end of the decade.

One threat, however, was spelt out by UNCTAD in its report. UNCTAD suggests that the Mafia, which currently earns over \$100m in "profits" from illegal "cigarette bootlegging," may decide to push for more growth on a world-wide scale. Thus the six legitimate multinationals could soon be joined by a less than welcome newcomer.

Letters to the Editor

Spending spree

From Mr. I. Baker

Sir—Thank you very much for your editorial "Advantage" (April 13) and for mentioning in the penultimate paragraph the popular belief that the revenues from North Sea oil can be allocated (spent) several times over. You refer they cannot be and this has assured me somewhat because many people—who seemingly ought to know better—have suggested they can and I was beginning to think I had somehow lost out somewhere along the line. You might have repeated the message because only this morning when listening to the radio before breakfast I heard of another scheme to send the oil revenues just once over.

Mr. Baker, editors Oak, Ivy House Lane, Enfield, Herts.

Race relations at work

From the Director, Social Affairs, Confederation of British Industry

Sir—Gareth Griffiths article on race relations at work (April 5) is critical of UK employers' policy on race relations, and says that the only two management bodies to have made concerted efforts to promote equal opportunities policies are the Institute of Personnel Management and the Industrial Society. He appears to be unaware that in July 1979 the Confederation of British Industry issued a statement of its own commitment to the principle of equal opportunities in employment, together with guidance to CBI members on the development, implementation and review of equal opportunities policies in the workplace. The CBI's equal opportunities panel prepared the guidance, drawing on the experience of a number of UK companies that were already operating equal opportunities policies. It was welcomed by the chairman of both the Commission for Racial Equality and the Equal Opportunities Commission. Shortly, the CBI and the TUC and employers in the London Borough of Camden, will be signing a joint statement renewing their commitment to equal opportunities.

No one would question that there could always be done to ensure that all employees and potential employees have a fair chance of recruitment and promotion regardless of their colour, creed or sex and that this is work they do not experience discrimination. I would, however, like your readers to be left with the impression that British employers are unaware of their responsibilities in this respect.

Richard Dixon, Confederation of British Industry, Centre Point, 33 New Oxford Street, WC1.

Reaction to Brixton

From Mr. H. Sorel

Sir—Your editorial stricture (April 14) on Mr. Enoch Powell or his observation in Parliament that the terror in Brixton was as nothing compared with what is to come—as "a thoroughly unpleasant interven-

tion" is quite monstrous. Mr. Powell has consistently warned the nation of the inevitability of mayhem. Surely he is to be congratulated on his unerring foresight and courage. Public opinion polls have indicated an overwhelming support for Mr. Powell's views.

Agitation by subversive, black links with Marxist terrorists, and the sedulous propaganda of black racist organisations had very much more to do with the escalation of events in Notting Hill, Bristol, Birmingham, and the recent black Monday in London, together with the exonerated of those responsible, than your specious excuses. Overcrowding, bad housing and other social ills which appear endemic to the black population are, in fact, no different compared with the conditions in their countries of origin.

Your panacea of "reverse discrimination in favour of the disadvantaged" means in fact rewarding those who are guilty of dastardly crimes. The assumption that those responsible are "disadvantaged" is not necessarily or essentially the responsibility of the citizens of this country.

It is no coincidence that the Provos were among the groups that played a part in the Brixton riots. There can be no greater encouragement to the marauders than the failure to punish those guilty. The provocation of the agitators and TV propaganda, which was found equally guilty in America, should be exposed. The provision of the necessary protection to the police and weapons to maintain law and order might be more effective.

Those who are found guilty of savage behaviour and the destruction of institutions for their own welfare and private property should be suitably punished. Your editorial is a recipe for nationwide anarchy. Harold Sorel, 69-85, Old Street, EC1.

A world of difference

From Messrs. B. Gould, J. Mills and S. Stewart

Sir—The case for a devaluation strategy set out in your letter of April 13, was gravely weakened by a printer's error in the first paragraph. We said that the loss of competitiveness suffered by British industry is equivalent to a tax of well over 50 per cent on the sale of British goods at home and abroad compared to the position in late 1976. The published figure was only 5 per cent—a world of difference.

Bryan Gould, John Mills, Shaun Stewart, c/o The Old House, Willards Hill, Epsingham, E. Sussex.

LT financial situation

From the chairman, London Transport

Sir—I was sorry to see that your report on April 9 gave a misleading impression of the financial situation of London Transport.

During the past eight months, since I became chairman of London Transport in August of last year, our financial position improved from a forecast of a

£5m deficit in 1980 to a surplus of £1m. The £31.4m "lost last year," mentioned in your report, refers, I presume, to 1979. So far this year we are £2.3m on the right side of our budget.

The second unfortunate inaccuracy is that our passenger revenue for 1981 is likely to be about £501m and not £881m as stated. I assume that the latter figure refers to our total costs which, in fact, will be about £694m.

After taking into account £13m of income from property and other ancillary activities, we will be left with about £180m to be financed, of which £160m is, indeed, provided by GLC grants.

We are not aware of any further "£158m annual grant," which you alleged we receive from central Government. We would, of course, be delighted to receive it because there is much else that needs to be done—not least in capital investment—to keep London's Underground in satisfactory condition.

Your report has, apparently, thought that money provided to the GLC for transport purposes generally all comes to London Transport, whereas, in fact, only the sums mentioned do so.

We have a very tight budget this year, in common with every other business in both the public and private sectors, and we must live within our means. Nonetheless, contrary to your report, we shall be running the precise bus mileage this year that we set out in our original budget presented to the GLC in November, 1980.

(Sir) Peter Masfield, London Transport, 55, Broadway, SW1.

Good boys from Britain

From Mr. P. Macfarlane

Sir—I was interested to read in Men and Matters of April 1 about the Japanese company Ricoh which plans to recruit British rugby players. Readers may like to know that in this respect Ricoh is following another Japanese company, Kobe Steel. Two and a half years ago another Oxford graduate and I were recruited as rugby playing management potential and have since been followed by two others. The four of us are still here now in what is very much an "international experience." I would like to offer my best wishes to any future "Ricoh rugger."

Peter D. Macfarlane, Mechanical Engineering Research Laboratory, Kobe Steel, 3-18, 1-chome, Wakoinohama-cho, Fuka-ku, Kobe, Japan.

Denationalise extensively

From the Director, Aims of Industry

Sir—Your report (April 10) Sir Robert Marshall, chairman of the Nationalised Industries' Chairmen's Group, as accusing the Government of "taking up an out-dated policy" on denationalisation.

It is Sir Robert who is wildly out of date. Ever since the 1950s people have been talking about stability as far as the balance between the state and private sector is concerned.

Meanwhile, Labour Governments have happily taken five steps towards state ownership

Fast Australian delivery

From Mr. C. Guest

Sir—One aspect that appears to have slipped comment in respect of the delays in scrip delivery against Australian shares is the fact that shareholders suffer the penalty of not being eligible for receipt of annual reports in respect of their companies until registration is effected.

Since deliveries of up to six months or more are commonplace in respect of Australian deals one often misses out. This is very annoying since, to the diligent investor, annual reports are essential as guides to further investment.

To circumvent the delays I recently wrote direct to the registrars of 11 Australian mining companies in which I had invested over six months ago and from which I have not yet received certificates. In each case I enclosed a copy of my contract note and asked for copies of their latest annual report.

The results were edifying. One company responded immediately with the relative certificate by airmail and seven others sent their latest annual report, again by return air mail. Of the latter, two also enclosed letters informing me that the transfer forms had not yet been lodged with the registrars. The other five obviously considered comment superfluous.

I have now come to the conclusion that the tendency in British quarters to use the Australian registrars as the chief scapegoat for the delay in scrip deliveries needs to be seriously examined.

On the subject of Australian annual reports generally—they are of such a high standard that they make those of their British and South African counterparts, in mining and oil at least, look possibly shoddy in comparison. Let us give the Australians their due.

C. S. Guest, 30, Longwood Ave., Horfield, Bristol.

Anyone for raw potatoes

From Jean Catlow

Sir—I was interested to read your article on vitamin C (April 11) and also rather puzzled.

I always understood that heat (therefore cooking) diminished the effect of this vitamin, ascorbic acid. The article gives some prominence to the potato as a source of vitamin C, but I cannot for the life of me think of anyone wanting to eat uncooked potatoes. (Mrs.) T. N. Catlow, Gabriel Cottage, Tunstall, via Carnforth, Lancashire.

Economic Diary

TODAY: National Union of Teachers conference opens, Eastbourne.

TOMORROW: Mrs. Margaret Thatcher arrives in Saudi Arabia for three days. National Savings figures (March).

MONDAY: Scottish Trades Union Congress conference opens, Rothesay.

TUESDAY: Council of Civil Service Unions major policy committee meets on pay dispute. Queen's Awards for Exports and Technology. National Association of Schoolmasters-Union of

Women Teachers conference opens. Brighton. Industrial and commercial companies appropriation account, net acquisition of financial assets and net borrowing requirements (fourth quarter).

WEDNESDAY: Retail sales (March provisional). Shipbuilding negotiations of Shipbuilding and Engineering Unions meets in Glasgow to discuss industrial

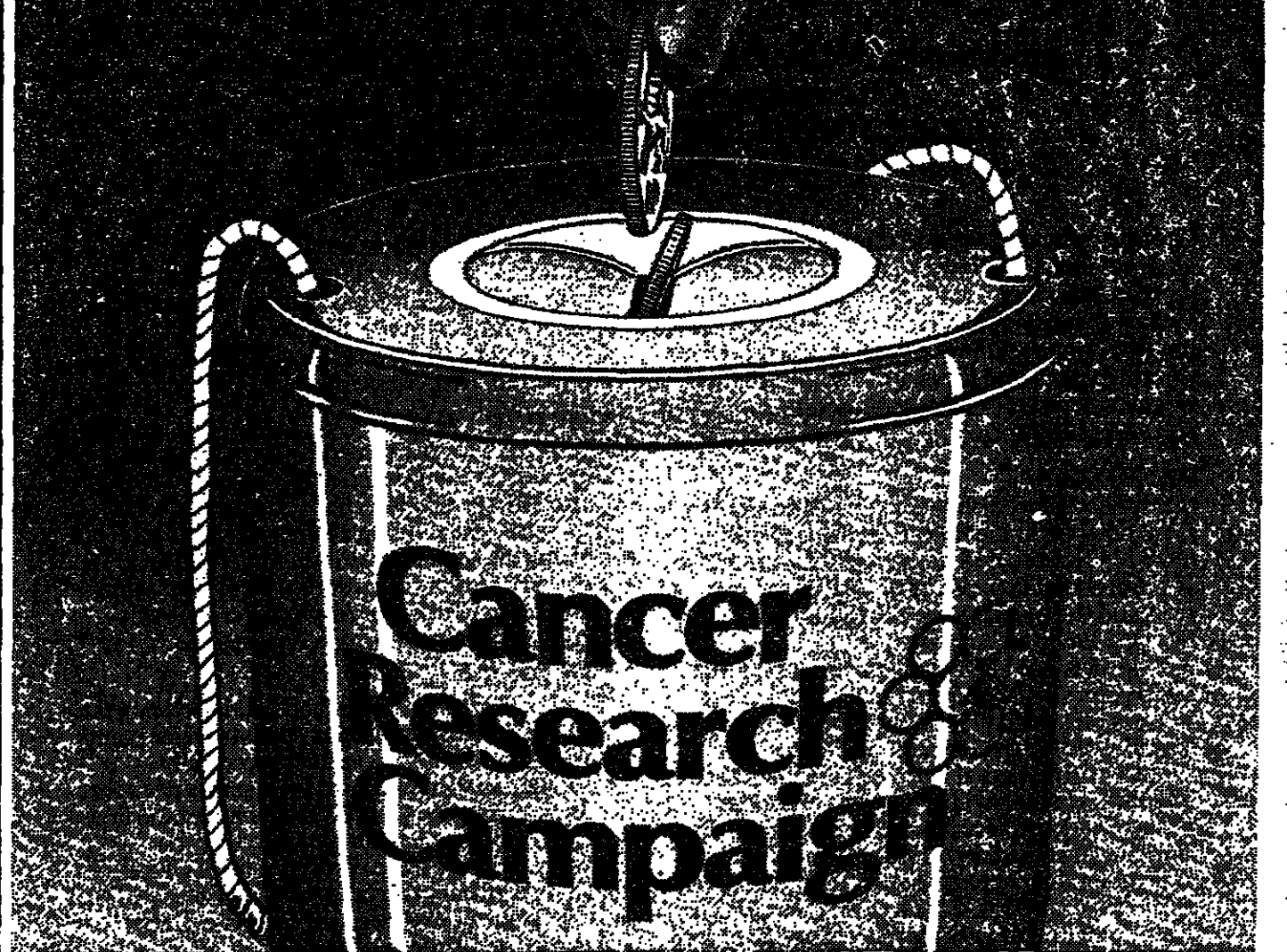
action. Banking, Insurance and Finance Union one-day stoppage at many branches and cash centres of the five English clearing banks.

THURSDAY: Unemployment and unfilled vacancies (April provisional). Institutional investment (fourth quarter). Lord Carrington, Foreign Secretary, begins three-day visit to West Germany.

FRIDAY: Ford unions meet

management on job prospects. Ambulance pay ballot result. Sales and orders in the engineering industries (January). New vehicle registrations (March). Sir Keith Joseph, Industry Secretary, addresses Electrical Contractors Association on industry and the future. Leeds, Mr. Rupert Murdoch, chairman of Times Newspapers, speaks at Advertising Association annual meeting luncheon, Savoy Hotel, London. Association of Professional Executive Clerical and Computer Staffs annual conference, begins, Southport.

Who is the largest supporter of cancer research?



The Cancer Research Campaign is the leading supporter of research into all forms of cancer, including leukaemia, throughout the United Kingdom.

The work we fund with the money you give covers the whole spectrum of research into cancer—its causes, diagnosis, nature and treatment. It is carried out in universities, research institutes and medical schools—in the wards as well as in laboratories. We give both long-term and short-term research support—we fund life fellows, we endow university departments. From prevention to cure, the Campaign is concerned with every aspect of the cancer problem.

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Not only is the Campaign the leading supporter of cancer research in the UK, it also has one of the lowest expense-to-income ratios of any charity. So a contribution to the Campaign is really worthwhile, because more of your money goes on research.

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(for our local offices see under Cancer Research Campaign
in your local telephone directory).

UK COMPANY NEWS

● NEWS ANALYSIS: PMA RIGHTS ISSUE

Toppling furniture maker seeks a second chance

BY TERRY GARRETT

IT IS not often that investors are presented with a new issue of fixed interest stock by a company that needs "a substantial turnaround" in trading if it is to be able to pay the first dividend, due next January.

Yet that is the proposition on offer to shareholders of furniture manufacturer, PMA Holdings—a company which has been overwhelmed by interest charges at a time when demand has fallen away.

Its survival plan is a series of asset disposals raising \$4m, and a £1.1m rights issue of convertible, cumulative redeemable preference shares which shareholders have before them now.

Friday is acceptance day, and the stock is priced at 14.3 per cent when and if PMA pays its dividends.

Many shareholders may be tempted to ignore the rights and let the underwriters do their job. Yet traumatic as the recent experience of PMA has been, the

company now looks in some sort of shape for a recovery.

Undoubtedly the shares must be viewed as a high risk investment. But chairman Mr. Malcolm Meredith and his boardroom colleagues had, until last year at least, a good track record and there seems a reasonably good chance that they will be able to bring PMA back from the brink.

It was only two years ago that PMA was hailed in the stock market as a fast emerging furniture maker. The shares were changing hands at more than 100p above today's level and City analysts were talking of a ten-fold rise in profits between the year 1977-78 and 1979-80.

The rapid rise and equally rapid fall of PMA has been breathtaking. Mr. Meredith and his two boardroom colleagues, Mr. C. Engwell and Mr. H. Price, moved into PMA in 1978. The company was making sales of around £4m and knocking up substantial losses.

The team had already showed something of a track record at Gold Cross Hospital Supplies, a company taken over in 1978 by

G. D. Searle of the U.S.

Their ambition was to take PMA and mould it into a "major force within the furniture industry," according to Mr. Meredith.

In the years from March 1977 to March 1979, pre-tax profits rose from \$62,300 to \$402,000. A couple of small acquisitions had been made along the way but the real bout of buying was yet to come.

In May 1979, PMA made a \$5.2m acquisition of Ladyship International and Skeibum Group, manufacturers and distributors of kitchen and bedroom furniture. The trading arm of Ladyship was Gower, a well known producer of flat pack furniture.

The deal was financed by a \$3m term loan, a £1.7m rights issue and 650,000 ordinary shares to the vendor.

The two companies PMA took on had annual sales of around \$18m and profits thought to be in the region of £1.2m. The market sensed a winner.

But with hindsight the danger signals were emerging. After this deal PMA's capital gearing was set to rise to over 100 per cent.

In June 1979, PMA was on the acquisition trail again. This time it was after one of the oldest names in the business, Harris Lebus. This was intended to build up the company's strength in the lower and middle range upholstery market.

The price for Harris Lebus was \$850,000 payable in PMA equity, but it also meant taking on £1m of Lebus' debt. Losses were running at something like \$100,000 a month. However, Mr. Meredith predicted at the time that he would bring the company above break-even in the next year.

Last week he said: "We felt we could live with the gearing, but what we could not overcome were certain agencies which smashed our balance sheet." "With hindsight I could not have bought Lebus at a worse time."

Undoubtedly Mr. Meredith lays much of his troubles at the door of Lebus. In the year to March 1980, PMA had to bear £2.72m of extraordinary items. A major part of these related to provisions against Lebus.

The whole industry, of course, is going through a desperate

patch. In 1980, 130 UK furniture companies ceased trading and employment dropped from 72,000 to less than 60,000—some of those on short-time working.

By February of this year, PMA's borrowing had reached nearly £2m. Shareholders had not heard from the company since the half year figures to September 1979, although it was patently clear everything was not well.

Early this year, the company revealed how hard it had been hit by the Lebus acquisition, soaring capital gearing and falling demand.

To bring the profit and loss account and balance sheet back into some sort of shape Ladyship is to be sold along with two properties.

PMA is now left with Bridgecraft, a traditional upholstery company, Harris Lebus at the popular end, and Elman producing dining room furniture.

After the issue net assets are just under £2.2m, issued capital is £2.8m and borrowings are still around £3m.

However, Mr. Meredith is confident that the company is now sufficiently strong to be there

at the end of the recession. Sales of what is left still top \$20m on an annual basis and if he can repair margins sufficiently, the company could be in the black in the current year.

But, as he is the first to admit, "PMA has a credibility gap." Acquisition plans have not surprisingly been shelved but once the upturn comes will Mr. Meredith still want to build a "major force" in the market?

The answer is yes. But "the chances are we will be playing safe and not risk-gearing on our own managerial skills as in the past."

Looking at the companies that are left, the obvious weak area of representation is cabinet manufacture now that Ladyship has gone. PMA already has a significant commitment to the upholstery market so expansion there by acquisition looks very unlikely.

Chairman still eyes the Continental European market for the future although now he admits: "It might not be us that gets a foothold in Europe first."

Survival may be the byword now, but expansion is still the long-term ambition.

A. Henriques slides to £137,000

DESPITE reporting a fall from £373,350 to £136,782 in pre-tax profits for 1980, Mr. Joel Barnett, the chairman of Arthur Henriques, clothing manufacturer, believes the figures are a "considerable achievement."

He adds that the company has met its basic objective, namely to preserve its assets base, and it has actually increased its cash balances.

He forecasts that barring unforeseen circumstances, 1981 will see a substantial increase in sales due entirely to internal reorganisation.

During 1980 the Macclesfield factory and a production line at Manchester were closed.

Tax for the year took £40,088 (£176,837) and after extraordinary items of £31,863 (nil), net profits came out at £34,711, compared with £196,543. Stated earnings per 10p share are down from 4.91p to 2.42p, but the final dividend is effectively unchanged at 1.2p for a total of 1.5p (adjusted 1.5p).

On a CCA basis there was a pre-tax profit of £34,022.

Collins sees further recovery

THE recovery at William Collins and Sons (Holdings), publisher, should continue as new initiatives and the effects of actions taken over the past two years yield improved profitability.

Mr. Jan Collins, chairman, says in his annual statement that he is confident of this, despite the fact that there is unlikely to be any real growth in sales volume.

He states that trading conditions for 1981 are unlikely to improve. There is no reason why demand for books should be any stronger in the UK, he adds.

Pressures on export prices and margins in the group's main markets in Australia, New Zealand and Canada will intensify unless there is a weakening in the strength of sterling.

For 1980 the company reported a turnaround from a loss of £255,000 to a pre-tax profit of £2,05m.

Trading results improved in most areas of the company, primarily due to the measures taken to increase profitability. The most significant contribution to the recovery came from the UK manufacturing division, where

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. The purposes are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interim or final and the sub-divisions shown below are based mainly on last year's timetable.

TODAY
Interim—A. Aronson, Financial Services, London, 21.4.81.
Final—S. Boustead, British Aerospace, Concord, 21.4.81.
Final—Estate Duties Investment Trust, 21.4.81.
Final—W. R. Smith, G. W. Lawrence, 21.4.81.

Substantial progress was made towards eliminating the losses made in the previous year, and in Australia where a significant loss in 1979 was turned into a satisfactory profit.

One of the more favourable aspects of the year was the steady progress made in reducing the group's borrowing requirements. At the end of last year net borrowings including those of the U.S. subsidiary were £14.6m. This followed the sale of assets of nearly £4m, partly offset by heavy redundancy costs

FUTURE DATES

Sparrow, Toser, Kemsley and Mitchell, 21.4.81.
Interim—Spencer Gears, 21.4.81.
Final—Transvaal Const. Land Ex., 21.4.81.

Final—Amalgamated Metal, 21.4.81.
Final—Callender (George M.), 21.4.81.
Final—Claydon, 21.4.81.
Final—Hoskins and Horton, 21.4.81.
Final—Hoskins and Horton, 21.4.81.
Final—Shires Investment, 21.4.81.
Final—Travis and Arnold, 21.4.81.
Final—Vesper, 21.4.81.
Final—Whitman News Angel, 21.4.81.

In December, 1979. This year the net borrowings have been cut to £9.3m without major assets disposals.

The main reason for this is the reduction in stocks which have fallen by £4.2m and now represent 26 per cent of sales against 38 per cent two years ago. This has meant that, despite higher interest rates, throughout the year, net interest charges have fallen from £2.56m to £2.09m.

Meeting, Glasgow, on May 13 at 11 am.

Kleinwort, Benson warns of banking overcapacity

THE banking industry is suffering from overcapacity. Mr. Robert Henderson, chairman of Kleinwort, Benson, Lonsdale, tells shareholders in his statement accompanying the annual report and accounts.

Although the group's banking division increased its overall profitability in 1980, lower sums had to be placed at risk to achieve this, he points out. And while its market share was maintained, the group has to recognise that the returns available from lending in a deteriorating commercial market are meagre.

Particularly when contrasted with the risk/reward ratios in the inter-bank market and earnings from trading activities and the ownership of assets.

The group's consolidated balance sheet totals may therefore not rise so fast in future as in recent years, he adds.

As reported on March 27, profits before tax rose by some £7m to £19.02m last year, although much of this increase was attributable to bullion dealing, and Mr. Henderson says it seems unreasonable to assume that this will be repeated in the current year.

Like other banks, the group is faced with rising costs, increased risk and diminishing margins. In addition, the chairman adds, competition has increased markedly in the domestic market following the abandonment of quantitative restrictions on the growth of eligible liabilities.

Meeting, Fenchurch Street, London EC3, May 12 at 11.45 am.

Gieves offshoot to carry out rationalisation

Redwood Burn, the book and magazine manufacturer, and a subsidiary of Gieves Group, is embarking on a rationalisation programme to combat falling profits arising out of a slump in orders and selling prices.

British manufacturers have been hit by the strength of sterling and this has disturbed the balance of competitive pricing.

Costs of case binding have risen substantially over the past two years, while selling prices have more recently declined to levels similar to those of two years ago.

The element of "trade" binding, previously undertaken by Redwood's Royal Mills' bindery has declined considerably leading to continuing overcapacity. This is unlikely to change in the near future.

Because of the problems Redwood has decided to close its Essex factory in the middle of July. A total of 188 full-time employees will become redundant.

The Trowbridge typesetting

and printing divisions will continue unaffected by this change as will the Lustratex Laminating Plant at Essex. Sewn and unsewn limp cover binding, plus magazine finishing, will all be handled at Redwood's Melksham factory.

No difficulties are anticipated in placing out hardback binding from the Trowbridge printing plant on a sub-contract basis. It is expected that a comprehensive trading agreement covering all case-binding work will be another UK bookbinder will be announced shortly.

FT Share Information

The following securities have been added to the Share Information Service: Daon Dev. Corp. (Section: Property), Crest Int. (Property), Will and Gas Production (oil and gas), Young and Co's Brewery N.V. (Beers).

RESULTS AND ACCOUNTS IN BRIEF

HAWLEY LEISURE (amusement, sports, leisure)—Results for 1980 reported April 7 with announcement of merger with Provincial. Shareholders' funds £2.6m (£2.55m). Bank overdraft £2.25m (£1.85m). Meeting, Maidenhead, Berks., May 6, noon.

PROVINCIAL (offices and industrial cleaning)—Results for 1980 reported April 7 with announcement of merger with Hawley Leisure. Shareholders' funds £3.46m (£1.9m). Secured bank overdraft £1.25m (£51,883). Cash £38,671 (£181,030). Secured loan capital £1m (£537,021). Meeting, Maidenhead, Berks., May 6, 11 am.

DERBY TRUST—At March 31, 1981, total value of portfolio is £20.44m, compared with £19.26m at December 31, 1980. Assets attributable to capital holders £15.58m, equivalent to £5.11 per share (£14.5m equivalent to £5.65 at December 31, 1980).

SQUIRREL HORN (confectionery)—Meeting, Stockport, April 28, 10.30 am. ALLY and WILSON GROUP (printing inks, paints)—Results for 1980 reported March 7. Shareholders' funds £7.22m (£6.81m). Unsecured loan £3m (£2.3m). Secured bank overdraft £1.77m (£1.58m). Cash £504,000 (£74,000). CCA pre-tax £584,000 less (£828,000) against £1.18m historical profit (£3.2m). Meeting, 71, Standen Road, S.W., May 7, 7.30 pm.

MONTFORT (KNITTING MILLS)—Results for 1980 reported March 21. Shareholders' funds £3.27m (£3.35m). Bank overdraft £346,584 (£342,638). Short term loan £237,000 (£200,000).

cash £1,621 (£4,746). Meeting, Leicester, May 7, 11 am.

BODDINGTONS' BREWERIES—Results for 1980 reported March 20. Shareholders' funds £28.12m (£25.22m). cash £1.26m (£24,000). overdraft nil (£250,000). Liquidity up £1.8m (down £534,000). CCA profit £4.58m Ex-gratia payment to former director £8,000. Chairman says results so far in 1981 are encouraging with volume up in first two months. Meeting, Manchester, May 8, at 11.45 am.

J. I. JACOBS (shipowner and shipbroker)—Results for 1980 reported March 19. Shareholders' funds £7.52m (£7.52m). Bank loans £386,120 (£19,900). Meeting, Winchester House, E.C., May 7, noon.

SENIOR ENGINEERING GROUP—Results for the year to end-December, 1980, and prospects, announced April 8. Shareholders' funds £27.62m (£24,744m). Bank balances and short-term deposits £1.78m (£1m); bank overdrafts £236,000 (£255,000). Meeting: Connaught Rooms, W.C., May 13, noon.

DORADA HOLDINGS (motor vehicle distributor and engineering group)—Results for 1980 reported April 8. Shareholders' funds £2.17m (£1.32m); vehicle deposits £1.02m (£1.42m); debtors £3.65m (£7.5m); cash £430,629 (£255,120); creditors £7,38m (£10,92m); bank overdrafts and loans £4,41m (£3,54m); vehicle stock loans £1.05m (£1.08m); shareholders' funds £9.64m (£13.32m). Meeting: Churchill Hotel, W., May 12, noon.

Kleinwort Benson

Progress in a Difficult Year

A summary of the Statement by Mr. Robert Henderson, Chairman of the parent company, KLEINWORT, BENSON, LONSDALE LIMITED, in the 1980 Report and Accounts.

Group profit, after tax and after transfers to inner reserves, totalled £19,015,000. This represents an increase of 57% over last year's total of £12,096,000, which was itself 33% above the 1978 figures. The dividend of 9p compares with 6.5p per share for 1979. The disclosed capital and reserves have increased to £154,864,000 (up 40%).

BANKING

Consolidated balance sheet totals increased by £456,000,000 in the first six months and by a further £243,000,000 in the second six months of 1980, a total increase of 29% over the previous year, and the overall level of profitability in the Banking Division increased.

A good start has been made in developing the business potential of Martins & Weyhausen. In Australia, we have obtained the necessary permissions for the formation of a 50:50 joint venture with Colonial Mutual Life Assurance of Melbourne which will engage in corporate finance work, project finance and banking. Our branch and subsidiary in Hong Kong continue to broaden their activities and the representative offices in New York, Chicago, Singapore, Tokyo and in other territories played a productive role in our world-wide banking activities. In the Middle East, our business has grown on a broad front, with many different parts of the Group involved. Fendrake Limited also has had a good year.

BULLION

The unprecedented activity in bullion towards the end of 1979 was surpassed in the early months of 1980. In London, New York and Hong Kong, the skills of Sharps Pixley's gold and silver dealers and their support staff were thoroughly tested, and we believe they have

gained considerably in market share and reputation. Their contribution to our banking group profits in 1980 was exceptionally large. Our two bullion processing companies, J. S. Knight and Edward Day & Baker also enjoyed another excellent year.

CORPORATE FINANCE

The gross revenue earned by the Corporate Finance Division comfortably exceeded that earned in any previous year. There was a very high level of activity in all areas of the Division's operations, both domestic and international. In February of this year we were pleased to act in the successful offer for sale to the public of Ordinary Shares in British Aerospace.

PROJECTS

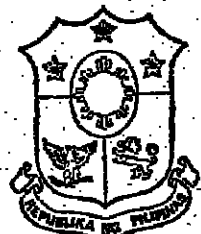
The Project Division has had a satisfactory year. Although British exporters currently face many difficulties, the Division has successfully arranged financial support for significant export values during the year. These included the first ECGD-underwritten Buyer Credit to be arranged for the People's Republic of China. Valuable advisory assignments have been carried out for clients in the Far East, Latin America and Europe.

INVESTMENT

The funds under the management both of Kleinwort Benson Investment Management Limited and of Kleinwort Benson International Investment Limited have again increased, both in number and in total value. Domestically and internationally, the performance of our funds has been of a high order. The Trustee Department had a successful year. Our subsidiaries in Jersey and Guernsey continue to prosper. Kleinwort Benson Geneva has also made good progress.

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Floating Rate Notes Due 1986

In accordance with the provisions of the Notes, notice is hereby given that for the six month interest period from 21st April, 1981 to 21st October, 1981 the Notes will carry an Interest Rate of 16 1/4% per annum and the Coupon Amount per US \$5,000 will be US \$424.14

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U.S. \$20,000,000

The Industrial Bank of Japan, Limited
London



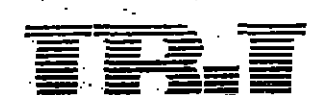
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Certificates of Deposit due 21st April, 1983

In accordance with the provisions of the Certificates, notice is hereby given that for the six month interest period from 21st April, 1981 to 21st October, 1981, the Certificates will carry an Interest Rate of 16 1/4% per annum. The relevant Interest Payment Date will be 21st October, 1981.

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Agent Bank

U.S. \$25,000,000

The Industrial Bank of Japan, Limited
London



Floating Rate London-Dollar Negotiable
Certificates of Deposit due 21st October, 1982.

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GUARANTEED FLOATING RATE NOTES DUE 1993



Payment of the principal of, and interest on, the Notes is unconditionally and irrevocably guaranteed by

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In accordance with the provisions of the Agency Agreement between Bank of Tokyo (Curaçao) Holding N.V., The Bank of Tokyo, Ltd., and Citibank N.A., dated 16th October, 1979, notice is hereby given that the Rate of Interest has been fixed at 16 1/4% p.a. and that the interest payable on the relevant Interest Payment Date, 21st October, 1981, against Coupon No. 6 will be US\$84.51.

21st April, 1981
By: Citibank, N.A., London, Agent Bank

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1980's capitalisation	Company	Last Change	Gross Price on week Div (%)	Yield	P/E
4,278	Airprungs	74	+ 2	4.7	11.7
1,275	Armstrong and Rhodes	51	+ 1	1.4	21.0
11,721	Bardon Hill	192	+ 1	9.7	7.1
7,528	Deborah Services	62	- 1	5.5	4.3
2,899	Frank Horsell	104	- 1	6.4	6.2
7,657	Frederick Parker	53	+ 3	1.7	3.2
4,427	George Blair	67	- 1	3.1	4.6
2,825	Jackson Group	105	+ 1	8.9	6.6
16,148	James Burrough	117	- 1	7.9	8.6
5,864	Robert Jenkins	217	- 3	81.3	9.9
1,925	Scrimshaw "A"	32	- 1	2.0	6.8
3,300	Torrey	206	- 1	15.1	7.3
2,351	Twinklford Ord.	11	- 0	—	—
1,925	Twinklford US	72	- 1	15.0	20.8
12,779	Unilock Holdings	46	- 1	5.0	6.8
5,988	Walter Alexander	101	- 1	5.7	5.6
	W. S. Yeates	257	+ 2	13.1	5.1

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INSURANCE

Brokers' commission causes turmoil

BY ERIC SHORT

A CALM has returned to the life assurance industry after months of turmoil between the Life Offices Association and the British Insurance Brokers' Association.

The cause of the dispute was related to the commission scale laid down by the LOA and its sister body, the Associated Scottish Life Offices (ASLO).

These bodies fix maximum levels of commission for each type of life and pensions contract that can be paid by its members to insurance brokers and other independent intermediaries.

BIBA wants radical changes to the commission structure so that brokers are rewarded adequately for their work in securing life and pensions business.

BIBA has argued with the LOA that the current system is unfair because it pays the same commission to brokers who provide a full service as it does to intermediaries who only introduce the client to the life company.

The brokers have argued to little avail. Discussions have achieved only three things: higher commission on policies which provide death cover only; special consideration for brokers on the method of payment of commission, in order to boost their cash flow and tighter rules under which life companies grant agencies.

Autocratic

The LOA said it would not change the commission structure in the foreseeable future. In theory the structure is presented to brokers on a take or leave it basis—an autocratic situation in these days of collective bargaining. BIBA has acquiesced to the minimal changes.

But conditions have changed since the discussions started. The LOA has suffered because of its rigid attitude. Several of its members agreed with the brokers' case for more commission.

Since the majority view of minimal changes prevailed, five life companies have resigned their membership of the LOA in the past 12 months so that they can pay more commission to brokers.

There are now at least a score of life companies which are not members of the LOA, including Abbey Life and

Equity and Law. New life companies are staying out because of the commission's limitation, and this growing body has certain implications.

First, the LOA-ASLO claim that it speaks for the life assurance industry now has a slightly hollow ring. If further companies leave, there is a danger that the authorities will no longer regard the LOA as representative.

Second, brokers have accepted the LOA commission changes not because they have got what they want but because they now have a viable alternative. They can put their business through a non-member life company, getting more commission as a result.

Many brokers feel that life companies still in the LOA will need their support. If that support falls off in the next year or two the LOA would have to make radical changes or risk breaking up through mass resignation.

Last year conventional life business from brokers and other intermediaries declined, while unit-linked life business continued to expand. Much of the unit-linked growth went to non-member life companies. This year could be crucial for the pattern of life assurance selling and the future of the LOA.

Neither brokers nor life companies feel complacent. The authorities are perturbed at the way a "free for all" is developing over commission payments.

The Labour Opposition recently tried to get written into the Insurance Companies Bill, now going through Parliament, legal power for the Government to impose the maximum amount of commission paid to agents or brokers.

This amendment did not get off the ground. But Mr. Reginald Eyre, Parliamentary Under-Secretary at the Department of Trade, earlier this month expressed concern that policyholders were not being taken into account although they ultimately pay the commission.

The last thing that either life companies or brokers want is for the Government to step in. They have been given an early warning of what could happen. So the LOA and the BIBA should get together now with other non-member life companies and resolve the situation once and for all.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Current	International Motor Cycle Exhibition (0203 27427) (until Apr. 25)	NEC, Birmingham
Current	International Fire, Security and Safety Exhibition and Conference—IFSSSEC (01-388 7661) (until Apr. 24)	Olympia
Apr. 26-29	Incentive Marketing and Sales Promotion Exhibition (01-688 7788)	Metropole Exbn. Hall, Brighton
Apr. 27-May 1	Storage, Handling and Distribution Exhibition (01-448 2411)	Earls Court, NEC, Birmingham
Apr. 28-30	Leather and Associated Trades Show (01-407 1582)	NEC, Birmingham
Apr. 29-May 17	International Ideal Homes Exhibition (021-705 6707)	Olympia
May 5-8	London International Building Products and Services Exhibition (01-540 1101)	Ryl. Horticultural Halls, SW1
May 8-12	Home Brewing Show (01-383 4000)	Harrogate
May 10-12	British Craft Trade Fair (0282 867153)	NEC, Birmingham
May 10-17	Audio Video and Television Fair—ENTERTAINMENT (01-637 2400)	Metropole Exbn. Hall, Brighton
May 12-14	Defence Components Expo (01-839 5041)	Ingliston, Edinburgh
May 13-14	Scottish Contract Flooring Exhibition (01-236 0811)	Olympia
May 17-20	Wholesale Buyers' (Spring) Gift Fair (01-855 9301)	Earls Court
May 17-21	London Furniture Show (01-385 1200)	Granby Halls, Leicester
May 19-21	MEX '81 (021-643 6994)	

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	Printing and Allied Industries Fair—GRAFIVAK (01-288 2880) (until Apr. 25)	Amsterdam
Apr. 22-28	International Spring Fair (01-486 1851)	Zagreb
Apr. 25-26	International Collectors Fair—ISAB (01-540 1101)	Berlin
Apr. 25-May 4	Swiss Industries Fair (Telex 62685)	Basle
Apr. 29-May 3	International Forestry Fair—EUROFORESTA (01-488 4880)	Verona
Apr. 28-May 3	International Exhibition of Contemporary Art—SINVAL (01-486 1951)	Billau, Antwerp
May 14-17	International Antiques Fair (01-540 1101)	Essen
May 19-22	International Energy Management Exhibition and Congress—ENERGY (0727 63213)	

BUSINESS AND MANAGEMENT CONFERENCES

Apr. 21-22	MSS Computer and Business Consultancy: Accounting for Non-Accountants (0803 34755)	Worthing
Apr. 22	Oyez-IBC: Advances problems of D/L—An in-depth examination (01-242 2481)	Institute of Marine Engrs. ECS
Apr. 22-24	Institut de Recherche Interbancaire: International Banking Seminar—Banks and Computers (Paris 7204587)	Meridien Hotel, Paris
Apr. 22-24	Quantum Science: Energy and Digital Technologies—computer and communication systems for Energy Management and Conservation (01-539 5347)	Colorado
Apr. 29	LCCI: The Advantages and Hazards of Exporting to Saudi Arabia (01-248 4444)	Cannon St., EC4
Apr. 28	The Marketing Society: Reviewing and improving your marketing activity (01-457 5811)	London Press Centre
Apr. 28-29	International Maritime Arbitration Symposium (Telex 280232)	Paris
Apr. 30	Institute of Directors: Unfair Competition—The trade barrier of the 80's (01-839 1233)	Pall Mall, SW1
Apr. 30	Food Forums: Food Product Liability Seminar (01-486 6787)	Inn on the Park, W1
Apr. 30	IPS: Successful Trading in Commodities, Money and Foreign Exchange (0990 22711)	De Vere Hotel, Coventry
May 6-7	Crown Eagle Communications: Communications at Work Seminar (01-636 0617)	Royal Garden Hotel, W8
May 7-8	Strategic Marketing Computers: Security and Disaster Contingency (01-373 5115)	Penta Hotel, SW7
May 8	New Opportunity Press: Law at Work '81 (01-444 7281)	Birkbeck College, London
May 11-12	The Economic and Social Research Council: Malaysian Industrial Development Authority—Malaysian Investment Dialogue (01-493 0616)	National Film Theatre
May 11	The Textile Institute: Fabrics and Finishes for Workwear (081-834 8457)	The Churchill Hotel, W1
May 14	Thames Polytechnic: How to start your own business (01-554 2030)	Novotel, Bradford
May 16	Dun and Bradstreet: Understanding Credit and Collections—for collection personnel (01-247 4377)	Woolwich, SE18
May 19		Portland Hotel, Manchester

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

APPOINTMENTS

Sales chief for Carlsberg

Mr. Michael Macdonald has been appointed sales director of CARLSBERG BREWERY head office of the company in the UK. Previously he was head of Carlsberg's southern regional company. His new responsibilities will include sales co-ordination throughout the UK—including Scotland and Northern Ireland. Succeeding him in the London-based company, Carlsberg Distributors, is Mr. Ron Farrell who until recently held the position of managing director of Scottish and Newcastle Beer (South).

Mr. Philip Addison has been appointed to the main Board of FURMANITE INTERNATIONAL as financial director.

LEE BEESLEY HUMPHREYS AND GLASGOW SERVICES has been formed to promote electrical and mechanical design and installation services with the following directors: Mr. Sam Smith, chairman; Lee Beesley; Mr. Les Green, managing director; Humphreys and Glasgow Services; Mr. Ian White, Lee Beesley and Mr. Reg Turner, Humphreys and Glasgow Services.

Mr. Michael A. Cockran has been appointed vice president, sales and trading for OCCIDENTAL INTERNATIONAL.

OIL INCORPORATED with responsibility for European oil and gas sales and trading for Occidental Crude Sales Incorporated, Houston. He will be based in London.

Mr. Michael Falcon has been appointed chairman of NORWICH UNION INSURANCE. He succeeds Mr. Desmond Lounge.

Mr. Robert J. Aubrey has been appointed group chief executive of the electrical and mechanical services group of STAVELEY INDUSTRIES.

Breakspear who has retired since 1979. Mr. Cook has been managing director of PBSA, ASG and Pilkington representative in South Africa. He was previously managing director of Fibreglass Pilkington in India.

Enrique Pérez-Hernández has been appointed senior vice-president in charge of international financing of BANCO HISPANO AMERICANO MADRID. He was formerly manager at Banco Urquijo Hispano Americano in London.

Mr. David Vincent has been appointed vice-president in charge of corporate banking for the Mid-West U.S. at CHEMICAL BANK, based in New York. He is succeeded in London by Mr. Andrew Jackson, who has moved from the UK multi-nationals group of the bank.

Financial Times Conferences

ENERGY SUPPLIES—FEAST OR FAMINE?

London, 1 & 2 June 1981

Mr. James R. Schlesinger, Senior Adviser, Center for Strategic and International Studies; Georgetown University, Former U.S. Secretary of Energy and Former U.S. Secretary of Defense, will be participating at this conference and will consider the topic "Energy Supplies—Feast or Famine?"

AMERICAN FOREIGN TRADE AND INVESTMENT

New York, 15 & 16 June 1981

This conference is being held at a time crucial to the development of the American economy. The top officials in trade and treasury will examine those elements of the Government's policies which are aimed at stimulating industry and commercial activity, particularly in the international marketplace. Very eminent officials from international authorities will consider the scene from their point of view emphasizing the opportunities that exist for expanding trade. Senior United States personalities in the fields of industry, finance and the professions will examine the policies, opportunities and needs for successful business in the current economic climate.

INTERNATIONAL SUMMER SCHOOL '81—FINANCIAL MANAGEMENT FOR THE NON-FINANCIAL EXECUTIVE

London, 6-17 July 1981

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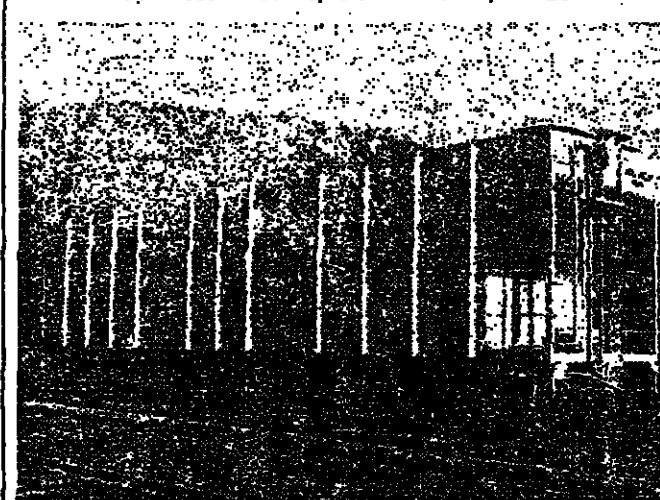
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THE DOLLAR SPOT AND FORWARD

April 16	Day's spread	Close	One month	% p.a. Three months	% p.a. Six months	
U.K.	2.1450-2.1460	2.1520-2.1530	0.90-1.00 c/m	-5.22	2.22-2.38d	-1.43
U.S.	1.6890-1.6790	1.6950-1.6850	0.23-0.36 c/m	-2.18	0.40-0.50d	-0.08
U.S. (cont'd)			1.01-1.04 c/m	-1.35	0.20-0.30d	-0.05
Canada	1.2420-1.2430	1.2470-1.2480	0.10-0.12 c/m	-1.35	0.20-0.30d	-0.05
Netherlands	36.70-35.95	36.75-35.85	2-6 c/m	-1.67	13-19 d	-1.78
Belgium	36.70-35.95	36.75-35.85	2-6 c/m	-1.67	13-19 d	-1.78
France	1.2420-1.2430	1.2470-1.2480	0.10-0.12 c/m	-1.35	0.20-0.30d	-0.05
W. Ger.	2.1520-2.1530	2.1580-2.1570	0.95-0.97 c/m	-5.28	2.10-2.22d	-1.39
Portugal	56.40-58.80	58.50-64.70	20 p/m-10 p	1.02	50 p/m-25 d	0.80
Spain	56.40-58.80	58.50-64.70	20 p/m-10 p	1.02	50 p/m-25 d	0.80
Italy	1067.30-1068.30	1067.85-1068.25	2.75-2.50 c/m	-2.34	7-6 d	-2.78
Norway	5.4535-5.4700	5.4680-5.4800	2.70-2.20 c/m	5.28	8.10-5.80 p	4.00
Sweden	4.7240-4.7315	4.7250-4.7275	0.05-0.05 c/m	1.48	0.50-0.50 p	0.50
Japan	216.70-217.40	216.92-217.15	1.95-1.90 p/m	10.38	4.25-4.30 p	4.00
Switzerland	1.9890-2.0040	1.9920-1.9930	1.50-1.40 c/m	8.73	3.70-3.60 p	3.33

* U.S. dollar and yen are quoted in U.S. currency. Forward premiums are quoted in U.S. currency.
† Discounts apply to the U.S. dollar and yen to the Swiss franc currency.

The table below gives the latest available rate of exchange for the pound against various currencies on April 6, 1961. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate; no direct quotation available; (F) free rate; (U.S.) U.S. dollar unit; (S) sterling starting/dollar rate; (S) number of the sterling area other than Scheduled Territories; (T) tourist rate; (Bas) basic rate; (bs) buying rate; (Bk) bankers' rates; (cm) commercial rate; (c) convertible rate; (in) financial rates; (bc) exchange certificate rates; (k) Scheduled Territory; (nc) non-commercial rate; (nom) nominal; (o) official rate; (sg) selling rate.

[illegible]

*That part of the French community in Africa formerly French West Africa or French Equatorial Africa. †Rupees per pound. ‡Official rates of oil and iron exports 90,468. **Rate is the transfer market (controlled). ††Rate is now based on 2 Barbados \$ to the dollar. ‡‡Now one official rate. (U) Unified rate. Applicable on all transactions except countries having a bilateral agreement with Egypt and who are not members of IMF. (I) Based on gross rate against Russian rouble. (1) Official rates for government transactions and specified exports and imports. (2) Parallel rate for non-government transactions and non-specified exports and imports. § One new Krona=100 old Kroner.

OTHER CURRENCIES

April 16	\$	£	Note Rates	
Argentina Peso	6605.6525	2071.3081	Austria	53.10-58.50
Australia Dollar	1.8718.1878	0.6703-0.8707	Belgium	78.80 79.90
Brazil Cruzeiro	170.80.1798	79.46 79.98	Denmark	14.80-14.75
British New Dollar	2.0014.3.0164	4.3503-1.6535	France	168.1-17.95
Greek Drachma	113.805.116.87	55.10-53.20	Germany	4.69-4.73
Hong Kong Dollar	11.66-11.58	5.3785-5.3815	Italy	2308-2865
Indian Rupee	2.0014.3.0164	4.3503-1.6535	Japan	168.1-17.95
Kuwait Dirham	0.5800-0.5825	5.2758-6.2700	Netherlands	5.18-5.24
Luxembourg Franc	17.70 17.80	35.83 36.85	Norway	11.78 11.61
Malaysia Dollar	2.0014.3.0164	4.3503-1.6535	Sweden	16.81-16.85
New Zealand Dir	2.2930-2.2950	1.1197-1.1198	Spain	185.1-195.1
Saudi Arab. Riyal	11.71-11.23	5.3505-5.3525	Switzerland	10.15-10.20
Singapore Dollar	2.0014.3.0164	4.3503-1.6535	United Kingdom	168.1-17.95
South African Rand	1.7546.1.7585	0.8165-0.8166	Yugoslavia	2.141-2.164
U.A.E. Dirham	1.787-1.793	5.6720-5.6740		78-81.50

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EURO-CURRENCY INTEREST RATES (Market close)

April 16	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	117½-12	15½-15½	16½-17½	10-10½	45-45½	11½-11½	121-128	17½-19	16-18	5-5½
7 days' notice	117½-12	15½-15½	16½-17½	10-10½	45-45½	11½-11½	121-128	17½-19	16-18	5-5½
Month	18-18½	17-17½	17-17½	10½-10½	48-48	12-12½	131-131	18-19	18-20	6½-6½
Three months	12-13½	16-16½	17-17½	10-10½	48-48	12-12½	131-131	18-20	17-19	6½-6½
Six months	12-13½	16-16½	17-17½	10-10½	48-48	12-12½	131-131	18-20	17-19	6½-6½
One Year	12½-13½	16½-17	17½-18	10½-10½	48-48	12½-12½	135-135	19-20	15-17	7½-7½

SCD linked deposits: one-month 13%-14% per cent; three-months 13%-13% per cent; six-months 13%-13% per cent; one-year 13%-13% per cent.
 SCD linked deposits: one-month 13%-14% per cent; three-months 13%-13% per cent; six-months 13%-13% per cent; one-year 13%-13% per cent.
 Aalan S (closing rates in Singapore): one-month 16%-16% per cent; three-months 16%-16% per cent; six-months 16%-16% per cent; one-year 15%-16 per cent.
 Long-term Eurodollar two years 15%-15% per cent; three-years 15%-15% per cent; four-years 15%-15% per cent; five-years 15%-15% per cent; nominal closing rates. Short-term rates are call for U.S. dollars, Canadian dollars and Japanese yen; others two-days' notice.
 The following nominal rates were quoted for London dollar certificates of deposit: one-month 15.70-15.80 per cent; three-months 15.80-16.00 per cent; six-months 15.85-16.05 per cent; 90-day 15.90-16.10 per cent.

April 16 1981	Sterling Certificates of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Treasury Bills #	Eight Bills #	Five Bills #
Overnight	—	11-12½	—	—	—	11½	11-12½	—	—
2 days notice	—	—	11½	—	—	—	—	—	—
7 days or 7 days notice	—	—	—	7½	—	—	—	—	—
One month	12½-13½	12-12½	12½	13½-12½	12½	12½	12½	11½-11½	12½
Three months	12½-13½	12½-12½	12½	13½-12½	12½	12½	12½	11½-11½	12½
Six months	12½-13½	12½-12½	12½	13½-12½	12½	12½	11½-11½	11½-11½	12½
Nine months	12½-13½	12½-12½	12½	13½-12½	12½	12½	11½-11½	11½-11½	12½
One year	12½-13½	12½-12½	12½	13½-12½	12½	12½	11½-11½	11½-11½	12½
Two years	—	—	12½	13½-12½	12½	12½	—	—	—

April 16 1961	Staring Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills \$	Eligible Bank Bills \$	Free Trade Bills \$
Overnight.....	—	11-12½	—	—	—	11½	11-12	—	—	—
2 days notice.....	—	—	11½	—	—	—	—	—	—	—
7 days or 7 days notice.....	—	12-12½	12½	—	12½	12½	12½	—	—	—
One month.....	12½-12¾	12½-12¾	—	15½-12¾	—	12½	12½	11½	11½-11¾	12½
Two months.....	12½-12¾	12½-12¾	—	12½-12¾	12½	12½	12½	11½-11¾	11½-11¾	12½
Three months.....	12½-12¾	12½-12¾	12½	12½-12¾	12½	12½	11½-11¾	11½-11¾	11½-11¾	12½
Six months.....	12½-12¾	12½-12¾	—	12½-12¾	12½	12½	—	11½-11¾	11½-11¾	11½
Nine months.....	12½-12¾	12½-12¾	—	12½-12¾	12½	12½	—	—	—	—
One year.....	12½-12¾	12½-12¾	12½	12½-12¾	12½	12½	—	—	—	—
Two years.....	—	—	12½	12½-12¾	12½	12½	—	—	—	—

April 16	Bank rate	Special Drawing Rights	European Currency Unit
Berling	13	Unavail.	0.59917
Madras S.	13	"	1.16031
Indian Rupee	16.94	"	1.38000
Swiss Fr.	11	"	17.9801
Belgium F.	11	"	41.5822
Japanese K.	15	"	7.97136
Mark	7 1/2	"	2.35621
London S.	9 1/2	"	2.61376
French Fr.	16 1/2	"	5.46209
Italian L.	19	"	1862.42
Spanish P.	15 1/2	"	251.927
Argen. Kr.	0	"	6.35852
Canadian P.	0	"	109.549
Mexican K.	0	"	5.40348
Asian R.	4	"	2.31251
Deut. Dr.	80 1/2	"	61.8041

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First quarter profits ease at McDonnell-Douglas

BY PAUL BETTS IN NEW YORK

MCDONNELL DOUGLAS, the U.S. aircraft manufacturer, reports a small decline in first quarter earnings to \$41.3m, on sales of \$1.63bn, from \$43.4m on sales of \$1.42bn in the same period last year. But the 1980 earnings included a gain of \$15.5m for a real estate transaction.

The director stated that total backlog increased from \$11.7bn to \$14.7bn, while firm backlog increased from \$8.7bn to \$8.98bn.

Sales this year are expected by the group to improve in all areas with the exception of commercial aircraft. At the same time, McDonnell Douglas claims earnings this year would improve over 1980 because of

anticipated improvements in the second half of the year.

The aircraft manufacturer's earnings fell sharply last year, by 27 per cent to \$14.4m, in spite of a 14.9 per cent increase in sales and income gains from the sale of real estate and stock holdings. The profit decline reflected continuing production problems at the company's Long Beach, California, operations where the DC-9 and DC-10 commercial aircraft are made.

According to Morgan Stanley, the New York investment house, the company shipped 23 DC-9s and 40 DC-10s worth \$2.2bn last year, compared with 39 DC-9s and 36 DC-10s worth \$2bn in 1979.

Morgan Stanley's investment research department also said commercial aircraft losses rose from \$66m in 1979 to \$144m because of delays in DC-9 certification and the "inefficiencies of DC-10 production." These had increased from 18 in 1979 to 40 last year, but were now falling back to 24 this year and perhaps 18 next year.

The investment bank added that with 75 DC-9s planned for delivery in 1981, revenues from civil aircraft would reach \$2.8bn, but jet transport losses would continue at an estimated \$60m. But Morgan Stanley reckoned that the company should achieve modest profitability in its commercial airliners by 1982 on \$2.9bn sales.

Paine Webber returns to the black

By David Lasselles in New York

PAINE WEBBER, the large Wall Street brokerage firm, was back in the black again in its latest quarter after last year's heavy losses from operational problems connected with its merger with Blyth Eastman Dillon.

Net earnings were \$5.8m or 67 cents a share, compared with a loss of \$10.2m, or \$1.46 a share, in the same period of 1980. Revenues were \$253.9m, up from \$248.5m. In the last six months, Paine Webber earned \$16m compared with a loss of \$3.2m last year.

Mr. Don Marron, the president, said the earnings gains came from investment banking, principal transactions and net interest. However, commission income declined 18 per cent.

Referring to the Blyth Eastman problems, he said "We are continuing the research of operational problems from our last fiscal year and believe that solutions for these problems remain adequate."

Merrill Lynch Overseas Capital is issuing \$100m of six-year unsecured floating rate notes due 1987 at 9 3/4 per cent, Merrill Lynch International and Co. said.

It said the notes, unconditionally guaranteed by Merrill Lynch and Co., the New York-based parent, would carry interest at the higher rate of 1 per cent above three month London interbank offered rate (Libor).

Wheeling-Pittsburgh steel shipments slide

BY OUR NEW YORK STAFF

EARNINGS OF Wheeling-Pittsburgh Steel amounted to \$4.2m in the first quarter on sales of \$295.3m in spite of a sharp decline in shipments. In the same period last year, the steel company reported earnings of \$8.5m on sales of \$309.2m.

The company said shipments in the first quarter totalling 577,901 tons were 14 per cent down on the 669,417 tons shipped in the first quarter of 1980, but the latter quarterly earnings figures reflected some improvement in the company's cost-price relationship.

"Demand for sheet mill products that traditionally constitute 80 per cent of our shipments has been severely affected by the continuing depression in new car sales and construction," Mr. Dennis Carney, the company's chairman, said.

But he added that the recent uptrend in some of the com-

pany's major markets, including some recovery in the car industry, has led to a small increase in the volume of incoming orders. "During the second quarter, we expect higher operating levels and improved earnings, although costs are being adversely affected by the coal strike," the chairman claimed.

For its part, Armco, the diversified steel company, reported net earnings of \$69m in the first quarter compared with \$68.1m in the same period last year. Sales were up from \$1.35bn to \$1.46bn.

The company said its 1980 quarter figures had been restated to reflect the acquisition of NN Corporation last December on a pooling of interest basis. Last year's first quarter earnings also included \$17.7m from the settlement of litigation against Allied Chemical Corporation.

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117, Grosvenor St., London W1C 3BP

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SIP deeper in the red

By James Buxton in Rome

THE TROUBLED financial position of the SIP (Societa Italiana per l'Esercizio Telefonico), Italy's main telephone utility, has been emphasised by the release of figures showing that it made a record loss of L3,300bn (\$512m) in 1980. This amounts to one-sixth of its income from telephone users of L3,300bn, and compares with a loss of L4,860bn last year.

The SIP's finances became so bad last year that for a time there was a grave danger that it would have to cease ordering new equipment, with disastrous results for the telecommunications equipment industry, which is anyway struggling to restructure itself for the 1980s.

However, a capital injection of L8,000bn was agreed early this year and it is now in the process of being implemented. A proposal by which the SIP will pay less to the Government for renting telephone lines will save it L1,300bn if it is passed by the Senate, which is currently examining it.

However, the SIP had been hoping that the Government would this week authorise a 12 per cent rise in telephone charges which would bring in L4,300bn this year. The Government has now decided to postpone raising the charges at least until next month.

SIP paid L1,140bn in financial charges last year, compared with L824bn in 1979, and had long term debts of L6,500bn at the end of last year. Nevertheless the SIP increased its investment spending from L1,586bn in 1979 to L1,951bn in 1980.

Justice Department and IBM urged to settle suit

BY OUR NEW YORK STAFF

THE NEW YORK JUSTICE department is currently conducting the hearings in the U.S. Justice Department's anti-trust suit against International Business Machines Inc. (IBM).

Judge David Edelstein has imposed a deadline of June 1 to end the trial which started in May 1975. The trial involves charges made 12 years ago by the U.S. Justice Department that IBM has unlawfully monopolised the U.S. computer industry. IBM has vigorously denied the charges.

IBM said at the weekend that it was willing to resume negotiations with the Justice Department to seek an out of court settlement, although an IBM lawyer claimed the Justice

Department had been unwilling to negotiate a settlement to end the case.

So far, the Justice Department has not responded to Judge's decision to wind up the protracted trial by June 1

[illegible]**FT UNIT TRUST INFORMATION SERVICE**

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BONDS**

OFFSHORE & OVERSEAS FUNDS

Albany Fund Management Limited
P.O. Box 73, St. Helier, Jersey. 0534 736
Albany S.Fd. (CI) [US\$23.37 185.58] [1]
Next dealing April 26.

Alexander Fund
37, rue Notre-Dame, Luxembourg.

Alexander Fund..... US\$1.48
 Net asset value April 13.

Allen Harvey & Ross Inv. Mgt. (C.I.)
 1 Charing Cross, St. Helier, Jsy., C.I. 0534-73
 AHR Dollar Inc. Fd..... US\$10.12 10.14d 15
 AHR Gilt Edg. Fd..... £11.51 11.42 + 30d 12

Alliance International Dollar Reserves
c/o Bank of Bermuda, Hamilton, Bermuda.
Adv.: AC/1, 319 High Holborn WC1. 404 03
Distribution April 14/15 0 000796 (15.6% p

Arbutnot Securities (C.I.) Limited
P.O. Box 284, St. Heller, Jersey. 0534 766
East Int. & Energy 1151.01 756.01 -1.01 2

Gov't Secs. Tsl.(C1)...79.2 81.7 +0.1 15
Sterling Fd.124.0 124.1| ---| ---
B.I.A. Bond Investments AG
10, Bahrerstrasse CH6301, Zug, Switzerland

Bearer Str. (April 16) - 9,600 10,100 + 100
 Bank of America International S.A.
 35 Boulevard Royal, Luxembourg G.D.
 Widest income - US\$11 105.68 8.
 Prices at April 9. Next sub. day April 15.
Banque Bruxelles Lambert

2, Rue De la Regence B 1000 Brussels
RentaFund.....US\$52.94|54.57 -0.17
Barbican Managers (Jersey) Ltd.
P.O. Box 63, St. Helier, Jersey 0534 74806
Barb. Int. Fund.....|109.8 118.0|.....| 2
Barclays Unicorn International

1. Clearing Cross, St. Helier, Jersey	US\$4.75	15.34	0.00	1
Unlight Trust	411.9	43.21	-0.21	13
Unidollar Trust	US\$1453	75.28	+0.13	2
Unibond Trust	US\$71.41	94.32	-0.30	10
2. Thomas St., Douglas, Isle of Man			05.24	4
Unicorn Aust. Ext.	26.3	92.88	-2.3	1
Do. Aust. Min.	84.1	90.5	-2.8	1
Do. Grtr. Pacific	130.7	140.6		1

Do. Int. Income	30.4	32.7	11
Do. Isle of Man Tax	42.0	45.2	11
Do. Manor Mutual	54.0	58.1	11
Bishopsgate Commodity Ser. Ltd.			
P.O. Box 42, Douglas, I.O.M.		0624-23	
ARMAC** April 6	557.82	61.67	11
COUNT** April 6	63.226	3.276	11

CANRHO-- April 6 [E1 545] [1 625] []
Original issue \$10 and --E1. Next vol. May 5
Bridge Management Ltd.
GPO Box 590, Hong Kong
N'oshi Mar. 31 [] [V25 794] []
Nippon Feb. 4 [] [US22 69] [23.62] [] []
Britannia Intl. Investment Mgmt. Ltd.

U.S. Dollar Denominated Funds:			
Am. Smaller Cos 5 Fd.	1.97	2.11	+0.04
Intl Fund	0.99	1.04	+0.05
Universal Growth Fund	1.257	1.350	+0.092
World Bond Fund	0.80	0.83	+0.03
Stocks Denominated Fds.			12

American Investments	67.0	71.0	-1.0	10
Am. Smaller Cos. Fd.	46.5	49.9	—	—
Australian Perf. Fd.	247.0	158.0	+1.0	—
Far East Fund	157.4	169.2	-2.0	—
High Interest & TruSt.	83.0	86.0	-2.0	14
Jersey Energy Trst	26.2	28.2	-1.0	1
Jersey Gil*	20.3	20.7	—	13
U.K. Growth Fund	43.5	46.8	+1.0	3

Managed Curren. Fd.*	\$10.55	+0.02	11
Capital Dep. Trust**	\$12.41	12.42	0.
Schlenger			
Intl. Fd. (Jersey)	125.0	152.0	-3.0
Am. Options U.S.\$	96.0	202.0	+1.0
Intl. Fd. (Lux.)*	US\$15.93	15.77	-0.45

*Daily Dealing—Other Funds: Weekly Mondays.
 **Tuesday Weekly—Cancel Return 13%.

Brown Shipley Tst. Co. (Jersey) Ltd.
P.O. Box 583, St. Helier, Jersey. 0534 747
Sdg. Bd. Fd. (h) 119.59 9.63 + 0.08 13
Sterling Cap. Fd. (a) 112.50 12.51 + 0.00 13

Butterfield Management Co. Ltd.
P.O. Box 195, Hamilton, Bermuda.

Battress Equity	US\$5.28	5.45	11
Battress Income	2.11	2.19	11
Prices at April 6. Next sub. day May 4.				
CAL Investments (InM) Ltd.				
16, St. Georges St., Douglas, IOM. 0634 250				
CAL Credit & Crncy.	0.994	1.047	11
First drafting day Mar. 10. Next Val. Apr. 21.				

Capdrex S.A.
 P.O. Box 178, 1211 Geneva 12, 010 4122 4662
 Fonselex [SF 777 30 192.00] 1
 Bondselex [SF 114 95 130.75] 1
Capital Asset Managers Ltd.
 Bermuda Hse, St. Julians Ave, St. Peter Port
 Guernsey C.I. 0481 262

Capital International Fund S.A.
43, Boulevard Royal, Luxembourg
Capital Int. Fund.....RUS26.45 -0.01% —

Charterhouse Japhet
1 Paternoster Row, EC4
A4..... 01-262 99

Admiral	\$162.90	50.77	+0.05	4
Advent	\$165.04	53.54	+0.09	3
Fondac	\$162.55	29.98	+0.05	4
Fonds	\$162.40	24.57	+0.01	3
Emperor Fund*	\$9.83	9.68	-----	4
Hispano	\$41.82	43.99	-----	4

*Priced at March 31.

Chawton Commodities (Isle of Man) Ltd.

29, Ashol Street, Douglas, I.O.M.	0824	217
Normandy Metal Trust	1.1743	1.2381
Normandy Com. Tsl.	1.1056	1.1466
Clive Investments (Jersey) Ltd.		
P.O. Box 86, St. Peter Port, Guernsey	0481	265
C.H. Holt Growth Fd.	10.23	10.67 + 0.05
Clive Gift Fd. (C.I.)	9.13	9.55

Cornhill Ins. (Guernsey) Ltd.
P.O. Box 157, St. Peter Port, Guernsey
Int'l. Man. Fd. [225.0 245.0]

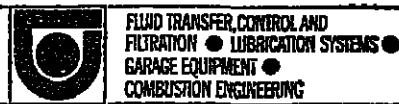
Cortex International
10a, Boulevard Royal, Luxembourg.

Continued on previous page

OIL AND GAS

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Tecalemit
to care for it



FINANCIAL TIMES

Tuesday April 21 1981

Vent-Axia

The first name in unit ventilation... look for the name on the product.

Variety of industries win Queen's award

BY JAMES McDONALD

THIS YEAR Queen's Awards for export achievement, announced today, illustrate once again the almost infinite variety of products and experience which Britain has to sell to the world.

The awards are equally divided between small, medium and large organisations. The products range from hops, sold to lager-drinking countries, to complete power stations, and rolling mills; from perfumes sold to Arabia to integrated TV receiver circuits imported by Japan; and from Harris tweed and knitwear to electronic and other high technology products, as well as a wide range of engineering products.

Know-how exports win a number of awards, represented by computer systems analysis and consultancy services, civil, electrical and mechanical engineering services and oil exploration expertise.

The City of London's "invisibles" are recognised this year by awards to the insurance and commodity dealing sectors, represented by Merrett Syndicates, at Lloyd's, Inter Commodities and the Guinness Peat Group.

More export awards have been made this year—92, compared with 87 in 1980. The number of applications also increased slightly by 23 to 963, following the sharp fall of almost 450 in the number of applications for 1980 awards.

Half of the total of 92 export awards are for companies or members of groups employing fewer than 200 people. Of these 48 small organisations, moreover, 30 employ under 100 workers.

There are 17 awards this year for technological achievement—the same as in 1980—and seven of these also have gone to small companies.

The strong pound, high interest rates and intense competition in many sectors have cut dangerously into export profit margins but the heavy engineering sector—spurred on by the absence of work in the home market—is well represented in the awards by

GEC Turbine Generators, Babcock Power, Davy-Loewy and Foster Wheeler Power Products.

ICI has won awards for two of its sectors—the petrochemicals and plastics division and the Mond industrial chemicals division. But, in commenting on the awards, ICI stresses the problems it faces in export markets.

"These awards have been won following a year when ICI export sales from the UK grew 6 per cent in value and yet were unprofitable."

"Faced with difficult trading conditions, the company's exporting divisions incurred losses in the second half of 1980 in

order to maintain export volume and to hold hard-won market shares."

In the motor vehicles, engines and accessories field, award winners include: Walter Alexander and Co. (Coachbuilders); a factory owned by Cam Gears; Cummins Engine; D. J. B. Engineering; Garrett Aerospace; Lucas CAV; Perkins Engines; and Pirelli.

Electronics are well represented with winners including: Plessey, Racal and Pye subsidiaries; AVX; Ferranti; Nautec; Rank Air Electronics; Performances (Magnetics); Renshaw Electrical; and Solid State Logic.

Details, Pages 10-11

THE LEX COLUMN

When shareholders need a voice

Last week the directors of Rio Tinto-Zinc agreed that if an oil company offered twice the market price they would have to take it seriously. Indeed they would. But the interesting question is what the shareholders of the bidder ought to do if their Board were to display such largesse.

The role of the shareholder as proprietor has faded. The typical institutional investor has come to be seen by managers as someone who will not question what they do and will interfere only in the most extreme of circumstances. Company Boards do not disguise their signs of relief when large stakes are broken up and dispersed among many institutional investors.

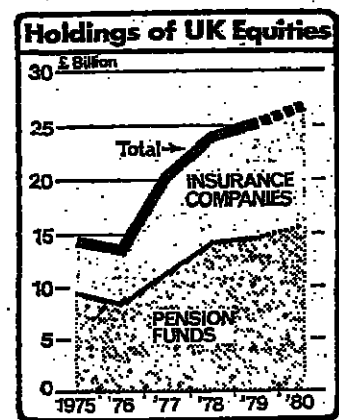
But although the perusal of a large and widely dispersed shareholders' list may bring to the average manager the prospect of many nights of sound sleep, it is less likely that it will improve his managerial achievements. The point is not that lumpy shareholdings may pose the threat of a takeover, for that will only encourage resort to short-term expedients. Rather, the point is that the presence of large knowledge-able and involved shareholders will serve to clarify his objectives.

What should these be? The problem is that much of the economic theory of companies and of the capital markets is built around the proposition that companies are run for the benefit of shareholders.

In modern conditions, however, they can never be run only for the shareholders. In fact, UK company law now embraces the principle that companies must take the interests of their employees into account (though the implications of this have not yet been tested in the courts).

In a minority of major public companies there is still a strong family or entrepreneurial connection. But in many cases the management fills the vacuum, and it is time that the implications of this were more fully explored.

There are several signs of potential management domination over shareholders' interests. First and foremost, empire building. Larger companies bring bigger salaries and greater prestige with them. The quick way to growth is through takeovers, and it is noticeable that this route is taken more often in Britain and the U.S. than on the Continent of Europe or in Japan where the slower (but less expensive) route



through start-up investment is more common.

Academic studies have tended to disprove that takeovers bring any benefits to shareholders as a rule, partly because the economies of size are insufficiently taken into account when the bids are made, and partly because a hefty premium has to be paid over the market price of the offeree company.

Of course there can be juicy gains for offeree shareholders, but for portfolio investors these profits are cancelled out by losses elsewhere. Offeree shareholders have generally been far too primitive although in one or two cases the worms have attempted to turn (such as in Allied Breweries for Lyons).

Another sign that shareholders' interests are being given a low priority can be the over-enthusiastic resort to the capital markets. It is worth noting that profit-maximising entrepreneurs are just as likely to try to buy in their equity and consolidate control (as with Sir James Goldsmith and Mr. Rupert Murdoch) as to churn out large quantities of paper (like Mr. Tiny Rowland).

So Imperial Group decided to make a portfolio investment in Howard Johnson in the U.S., although its shareholders could have bought American shares more cheaply on their own account. And there are still companies seeking "third legs" and the like, often with no more tangible purpose than smoothing out a profit trend. Here again, a big premium has to be paid by the bidder.

It is not enough for investors to shelter behind the efficient markets theory and argue that good companies will be capitalised higher and will therefore be able to raise capital more easily than their rivals. Ultimately this approach leads to robot paper shuffling on the indexed fund principle whereby managers follow a rigid system which forces them to take all the shares offered to them.

It is characteristic of management dominated companies that

they should try to time rights issues at moments when they think the shares are rather highly priced, which is correspondingly a bad time for investors to put in new money. The shares of most large companies tend to underperform the market in the year or two after a rights issue.

A third sign is that management are tending to usurp the portfolio management function of investors. Portfolio theory has mushroomed in recent years, especially in the U.S., as the big fund managers have sought to find a role in the absence of a proprietorial function. But the managers of companies can read the textbooks too, and diversification is something that they can happily imitate.

Striking it rich in a wildcat oil well, or windfalling in gold at \$900 an ounce, do not mean that a management is better able to run American engineering companies. Rank Organisation's success in picking a winner with its Xerox trade investment did not, unfortunately, mean that it was good at managing industrial operations.

Big capitalisation

Having a high market capitalisation is a big temptation for managers when shareholders are so uncritical of the investment propositions—to the extent that they rarely require any serious information at all. Shareholders of Consolidated Gold Fields still do not know what the company wanted \$185m for last November; all they do know is that they are showing a loss on the new shares.

It is unrealistic to suppose that institutional shareholders can suddenly start to intervene heavily in the management of companies. They do not have the skills or the manpower to do so. But they should certainly be thinking about measures to ensure that their portfolio roles are protected, and that companies' introuble can look to their shareholders for constructive help rather than wait to be sold out to a bidder.

Thus the institutions could try to expand the role and responsibilities of non-executive directors. They could seek to reduce the headroom allowed to companies in terms of authorised but unused shares, so that issues could come under more scrutiny. And they could try to set up an agency which could offer management strengthening services rather than the capital providing role of, for instance, ECI which has sometimes seemed to be in conflict with the institutions themselves.

Japanese check nuclear plants

By Richard C. Hanson in Tokyo

THE JAPANESE Government yesterday ordered a safety check on all its nuclear power plants following the disclosure of a major radioactive leak from one of the country's oldest atomic power stations.

The Natural Resources and Energy agency, a part of the Ministry of International Trade and Industry, said that radioactive substances had been discovered in the non-radioactive drain system, and the seabed near the Tsuruga Number One nuclear power plant on the Japan Sea in Fukui Prefecture, central Japan.

It was also disclosed that a major overflow of nuclear waste from a storage tank had occurred in March. The overflow was not reported as required by law to the authorities at the time. The plant, built in 1970 as Japan's second commercial reactor, had already been shut down on April 1 because of irregularities found but not reported—in January this year. The disclosure came not long after the nuclear programme received a boost, last month, from approvals for three new nuclear power plants—the first such go-ahead since before the Three Mile Island incident in the U.S. Ironically, the initial reports from Tsuruga were made public just as pro-nuclear forces were heading for electoral victory in a small town in southern Japan, where the local anti-nuclear forces tried to defeat a pro-power plant mayor.

The overflow incident at Tsuruga was apparently caused when a worker forgot to shut an open valve. Criticism is being heaped on both the plant's management, the Japan Atomic Power Company, and the authorities for lax controls.

The extent of the damage caused by the leaks has yet to be determined. Though initial investigations have shown fish caught in the area to be free of contamination traces of radioactivity were found in the plant and shellfish in the area immediately fronting the power plant. Local fishermen are set to ask compensation for any losses incurred as a result of the incident.

It is also feared that workers at the plant involved in cleaning up from the March overflow may have been exposed to excess radioactivity.

The incident has prompted orders from the government for checks on all 22 of the nuclear plants operated in Japan at present.

The Tsuruga plant, a boiling water type reactor with 357,000 kw of generating capacity, was constructed by Japanese contractors, led by Toshiba Corp. under licence from General Electric of the U.S. The region surrounding it has become a focal point for nuclear power development in Japan.

Under construction nearby is another nuclear power plant capable of turning out over 1m kw of electricity, and Japan's first experimental fast breeder reactor plant.

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Minimum wage
argued that, by laying down a minimum wage, the council are acting as a disincentive to employment.

There was some sympathy for this view among Ministers who were particularly conscious of the big gap between what a teenage could get on a Government programme and what an employer would have to pay them.

CBI wants ceiling on commercial rate rises

BY ANDREW TAYLOR

THE GOVERNMENT should impose a ceiling on local authority business rates increases, the Confederation of British Industry said yesterday. The CBI strongly attacked commercial rate increases planned for 1981-82 which it said could cause more factory closures and lost jobs.

Sir Terence Beckett, CBI director general, in a letter to Mr. Michael Heseltine, the Environment Minister, said that industry viewed with "deep concern" mounting rates increases on commercial premises and the adverse consequences that would have on business and employment.

"The CBI said that the Government should impose a limit on the level of commercial rate increases that local authorities could introduce. It might also consider the case for abolishing the business rate altogether as part of the Government's current review of local authority finance and the rating system."

The Government is considering the possibility of introducing controls next year which would prevent local authorities

from raising commercial and industrial rates by more than a fixed percentage.

The CBI's latest criticism follows a clamour of protest from industry and commerce over rate increases announced for 1981-82. BL has begun court proceedings against local authorities in Solihull and Coventry over rate rises of 28.4 per cent and 31.6 per cent. Other employers have warned of factory closures if rate bills continue to increase.

Tilcon—the UK's fourth largest producer of sand, gravel and hard rock, and a subsidiary of Thomas Tilling—recently wrote to 117 local authorities, in areas where it has works, warning that plant closures would be implemented if rate demands were not curbed.

Employers have complained that they have been expected to carry more than their fair share of the rates burden by local authorities which find it politically more acceptable to raise rates from commerce and industry than from the domestic voter.

With the start of the new financial year in April com-

mercial rates on average have risen by about 17 per cent. This figure masks wide regional variations.

In Inner London, for example, commercial and industrial rates have risen by an average 33 per cent. In Edinburgh, commercial rates rose by 42 per cent this month.

Sir Terence, in his letter to Mr. Heseltine, said: "It is now clear that many local authorities have deliberately decided to ignore the Government's expenditure guidelines, and an overspend of £1bn or more is possible for the current financial year."

"In the face of these developments, we believe that the Government must take action to limit extravagant authorities from undertaking excessive expenditure programmes financed in a significant part by the business ratepayer."

Meanwhile, the Royal Institution of Chartered Surveyors has said that substantial domestic rate rises are forcing some home owners to move to less expensive properties.

RICS house price survey Page 4

Amex in takeover negotiations with Shearson Loeb Rhoades

BY DAVID LASCELLES IN NEW YORK

AMERICAN EXPRESS, the worldwide leader in travel and entertainment cards, is considering a merger with Shearson Loeb Rhoades, the second largest Wall Street stockbroker firm.

No details were given, but the two companies said in a joint statement that the status of their discussions would be announced before the opening of trading on the New York Stock Exchange today.

If it went through, the merger would be the largest Wall Street takeover, and the second major one in a month. In March, the Prudential Insurance Company of America initiated a merger with Bache, the eighth largest Wall Street firm, in a deal worth \$385m (£174.2m).

When Shearson shares last traded on Thursday, the firm had a market capitalisation of about \$550m.

American Express and Shearson have been known for some time to be considering joint marketing of financial services. Speculation over an outright merger was rife before the Easter holiday. Shearson shares gained \$4-\$4.25 on Thursday.

American Express sees its future in the financial services field after its failure two years ago to gain control of the McGraw Hill publishing company. The fact that it is also a major insurance company through its Fireman's Fund subsidiary, which accounts for more than half its earnings, strengthens the parallel with the Pru-Bache deal.

Some years back American Express owned a minority stake in Donaldson Lufkin Jenrette, another large Wall Street firm, but the relationship was an unhappy one and American Express sold out at a large loss.

Shearson, under Mr. Sanford Weill, its aggressive chief executive, emerged as Wall Street's second largest firm after Merrill Lynch when it took over the ailing Loeb Rhoades Hornblower firm in 1979. The firm's capital at the end of last year was \$12m, more than double its size at the end of 1979.

Apart from traditional stockbroking activities, it is engaged in mortgage banking, investment management and insurance planning.

UK acts to keep foreign fishing boats at bay

BY ROBIN REEVES, WELSH CORRESPONDENT

THE MINISTRY OF Agriculture and Fisheries is pressing the Department of Trade to tighten up Britain's shipping registration laws to prevent foreign trawlers getting round UK and EEC fisheries conservation controls.

Mr. Alec Buchanan-Smith, the Fisheries Minister, has asked the Department of Trade to introduce a new requirement under which vessels would have to have a UK port as their principal place of business.

A statutory instrument to this effect was due to be laid before Parliament before the Easter recess. But it seems the Department of Trade is reluctant

to rush into action which might discourage shipping from joining the British register.

Pressure for change arises from fears that an increased number of fishing vessels from Spain and other non-EEC countries are trying to gain access to the fishing grounds lying inside the UK and EEC 200-mile limit by registering as British-owned.

The latest incident arose at Milford Haven, West Wales, where the local fishing industry is complaining about the arrival of three Spanish trawlers with Spanish crews which their owners, Rawlings and Co., are in the process of registering as British vessels.

Yamani

Continued from Page 1

inflation of the industrialised countries, currency fluctuations, and the average growth rate of members of the Organisation for Economic Co-operation and Development.

One result of the oil surplus caused by Saudi Arabia's high production rates and market conditions generally, has been the deadlock in Kuwait's negotiations with British Petroleum, Shell, Gulf and Japanese companies on the renewal of supply contracts.

The companies have refused so far to agree to a premium of \$2 on each barrel of crude lifted, insisting that market conditions do not warrant payment of anything more than the

"official" selling price of \$35.50.

Yesterday, oil industry executives were sceptical about a report from Kuwait quoting Ministry of Oil officials saying the three majors—Royal Dutch Shell, BP and Gulf Oil—had submitted to Kuwait terms.

David Buchanan adds from Washington: The Reagan Administration is facing conflicting pressures of increasing intensity over its announced intention to sell Saudi Arabia advanced early-warning AWACS radar planes.

In his television appearance, Sheikh Yamani appeared to link Saudi strategy on oil prices to some degree with the controversial AWACS sale.

Continued from Page 1

Thatcher

"These adjustments will make our industry much fitter and leaner, and able to compete more effectively with other trading countries."

The Prime Minister was less optimistic over the battle to lessen expectations, particularly on pay. While there was a decrease in settlements in the private sector, she admitted the Government had not solved the problem of public sector awards. "We shall continue to fight this battle."

She went on to emphasise the importance of her visits to India and the Gulf, in helping industry to win orders. One difficulty was that more and more decisions on contracts were taken at a political, rather than at company level.

This was why the British Cabinet was taking a much more active interest in major overseas contracts than in the past. It was also the reason for her increasingly frequent overseas visits to Britain's major trading partners.

"The Government must support companies who are competing for contracts—so we do spend a great deal of time on this."

Britain had not given enough attention to the Gulf region with visits at the highest level. She had been astounded to learn that she was the first British Prime Minister to visit Saudi Arabia.

A major purpose of her trip was to get to know the Government of Saudi Arabia, and to learn the point of view of the country's leaders in order to take it into account when making decisions at home.

Weather

UK TODAY

Dry with sunshine, generally cold. Overnight frost. London, S.E., S.W., England, Midlands, S. Wales. Mainly dry, sunny periods. Max. 13C (55F).

E. N.E. England. Scattered showers, rather cloudy at times. Max. 9C (48F).

N. Wales, N.W. England. Mostly dry, bright or sunny intervals. Max. 12C (54F).

S. Scotland. Scattered showers, sunny intervals. Max. 9C (48F).

C. N.W. Scotland, N. Ireland. Mainly dry, sunny periods. Max. 10C (50F).

N.E. Scotland, Orkneys, Shetlands. Sunny intervals, cloudy later with showers. Max. 8C (46F).

Outlook. Sunny intervals and blustery showers.

WORLDWIDE

Y'day	Today	Y'day	Today
Algeria	17	Algeria	17
Amman	17	Amman	17
Baghdad	17	Baghdad	17
Bahrein	17	Bahrein	17
Bombay	17	Bombay	17
Buenos Aires	17	Buenos Aires	17
Calcutta	17	Calcutta	17
Cairo	17	Cairo	17
Cardiff	17	Cardiff	17
Cebu	17	Cebu	17
Colon	17	Colon	17
Dublin	17	Dublin	17
Edinburgh	17	Edinburgh	17
Geneva	17	Geneva	17
Hong Kong	17	Hong Kong	17
London	17	London	17
Lyons	17	Lyons	17
Madrid	17	Madrid	17
Moscow	17	Moscow	17
New York	17	New York	17
Paris	17	Paris	17
Rome	17	Rome	17
Sydney	17	Sydney	17
Tokyo	17	Tokyo	17
Washington	17	Washington	17
Zurich	17	Zurich	17

NEWS REVIEW

BUSINESS

Ferranti CCTV protects IBM

A sophisticated Closed Circuit TV system from Ferranti Instrumentation Ltd. has been installed at IBM's manufacturing facility at Greenock. With an IBM computer, this system forms the heart of an upgraded security control facility providing the plant with comprehensive internal and external security coverage 24 hours a day.

Cubic counter

In many engineering applications the precise determination of the position of a rotating shaft is vital for the correct functioning of a machine. Ferranti at Dalketh produces a wide range of optical shaft encoders for this task, the latest being the 24QB incremental model which is, unusually, cubic in shape.

Briefly...

Compact, versatile, on-board weapon fuse performance recording system has been developed by Ferranti Instrumentation Ltd. A total telecommunications package for the Beryl 'B' platform is to be supplied, through Bechtel, to the field operator, Mobil North Sea Ltd.

This week Ferranti security surveillance equipment is being demonstrated at IFSEC, Olympia. Ferranti semiconductors, edge connectors and transformers are at the AE Electronics Show at Grosvenor House.

ADVERTISEMENT

SEMICONDUCTORS

A to D, D to A

The world is a constantly and gradually changing environment. It is an analogue world. The emergence of the micro-processor with its digital operation creates large requirements for data converters; integrated circuits that will convert digital information to analogue information and vice versa. These devices enable the micro-processor to be used effectively in real-time applications.

The demand for these units (called, for obvious reasons, A to D and D to A converters) has produced a major new

microcircuit market, worth £200m in 1981/82. Data conversion techniques are not new, but the traditional devices were expensive, complex assemblies totally unsuitable for present day electronics. As long ago as 1975 Ferranti recognised this market opportunity and was one of the first semiconductor companies to produce a single chip, cost effective, data converter IC. Since then a comprehensive range has been developed, establishing Ferranti Electronics as Europe's leading data converter house.

COMPONENTS

The Ferranti connection

Ferranti Professional Components Dept. at Dundee has been a high volume production facility for edge connectors for printed circuit boards for over twenty years. In that time the range has been enhanced and continuously expanded to maintain competitiveness in the face of fierce international (mainly U.S.) activity. This process continues with the launching this month, of two new connectors at the Paris Components Show and the London AE Electronics Show.

The new EGT100 range has truly bifurcated contacts with the added feature of contact springs to ensure positive mating on the printed circuit board. The contacts are pitched on 2.54 mm centres as they are on the other new range, the PVT/SVT two-part plug and socket connectors. Both ranges use the unique Ferranti rolling leaf spring which ensures that contacts cannot be overstressed. Their low rate spring characteristic gives the added advantage of low insertion and withdrawal forces, minimising the wear in the contact area.

The good news is FERRANTI Selling technology